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Teamwork at the Top

Designing and Leading Effective Executive Teams

Teamwork at the Top

Over the years, we've worked with many CEOs who refer to their direct reports, collectively, as their "executive team" or "senior team." It has become abundantly clear to us that merely seating a group of senior executives in a conference room with the CEO at the head of "the big table" does not automatically result in a team, much less an effective executive team. So we'll start by describing exactly what it is that transforms a collection of individuals into a team. We'll then focus on the special case of executive teams, paying close attention to what makes them so different from the countless other teams that populate every organization. We'll devote considerable attention to the problems that commonly plague executive teams, as well as some possible solutions. Finally, we'll examine the CEO's unique and complicated role as both leader and participant. The constant theme running throughout our discussion will be our belief that it is the CEO's leadership, in the end, that spells the difference between a high-performance executive team and a colossal waste of executive time and energy.

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The Anatomy of a Team

In the broadest sense, we define a team as two or more individuals:

- Who are aware of and interact with one another
- Who perceive themselves as a unit
- Who are jointly accountable for the performance of some activity
- Whose activities are interdependent
- Whose interdependence centers on a work flow or work products

The key concept is interdependence. It exists when an individual can only perform a task or set of responsibilities with assistance from others. In the end, the team's effectiveness depends upon how well that interdependent work is planned, managed, and performed. Together, the members of a team have considerably more potential than they had as a random collection of individuals—but only if their team is properly structured, managed, and motivated.

TEAMS VERSUS INDIVIDUAL WORK

For years, managers and theorists have debated the relative merits of individual effort versus teamwork. Individual work clearly has some inherent advantages. Individuals typically work faster than teams. Individuals working alone enjoy greater control over their work and its outcome. Individual work promotes a strong sense of accountability. It limits the ability of others to obstruct the work. Individual work is easier to measure and reward, which makes it easier for supervisors to motivate performance. Finally, individual work minimizes social overhead—the cost involved in gathering people and organizing their efforts.

On the other side of the ledger, team settings sometimes generate more ideas and enhance creativity. Involving people through teams can lead to a broader ownership of the final product, often fostering greater commitment, motivation, and quality. Teams can provide a forum for sharing perspectives, introducing new thinking, and refining raw ideas. They can promote innovation by allowing individuals to share risk. They can bring together the wide range of skills and experience required to solve a complicated problem. Finally, teams can be valuable to their members as a source of encouragement, motivation, or social support.

Which approach is better? The obvious answer is, "It depends." In some situations, individual action is clearly preferable; involving a team probably wouldn't help performance, and might even hurt. In other situations the reverse would be true.

So how should you decide when to use a team? The answer lies in the nature of the work. As a general rule, you should seriously consider using a team if:

- The work requires a variety of skills, perspectives, or expertise
- The components of the work are highly interdependent
- There is sufficient time to effectively organize and structure the team effort
- There is a need to build commitment in support of critical decisions
- The problems or issues at hand need refining
- The work would benefit from extraordinary creativity or innovation
- The potential team members are likely to act constructively
- Individuals would respond well to a team experience

Under these conditions, teams can be effective mechanisms for getting work done.

TEAM PERFORMANCE

Assuming you have the appropriate situation for a team, the next issue is determining what differentiates effective teams from all the rest. Consider

FIGURE 1: Team Performance

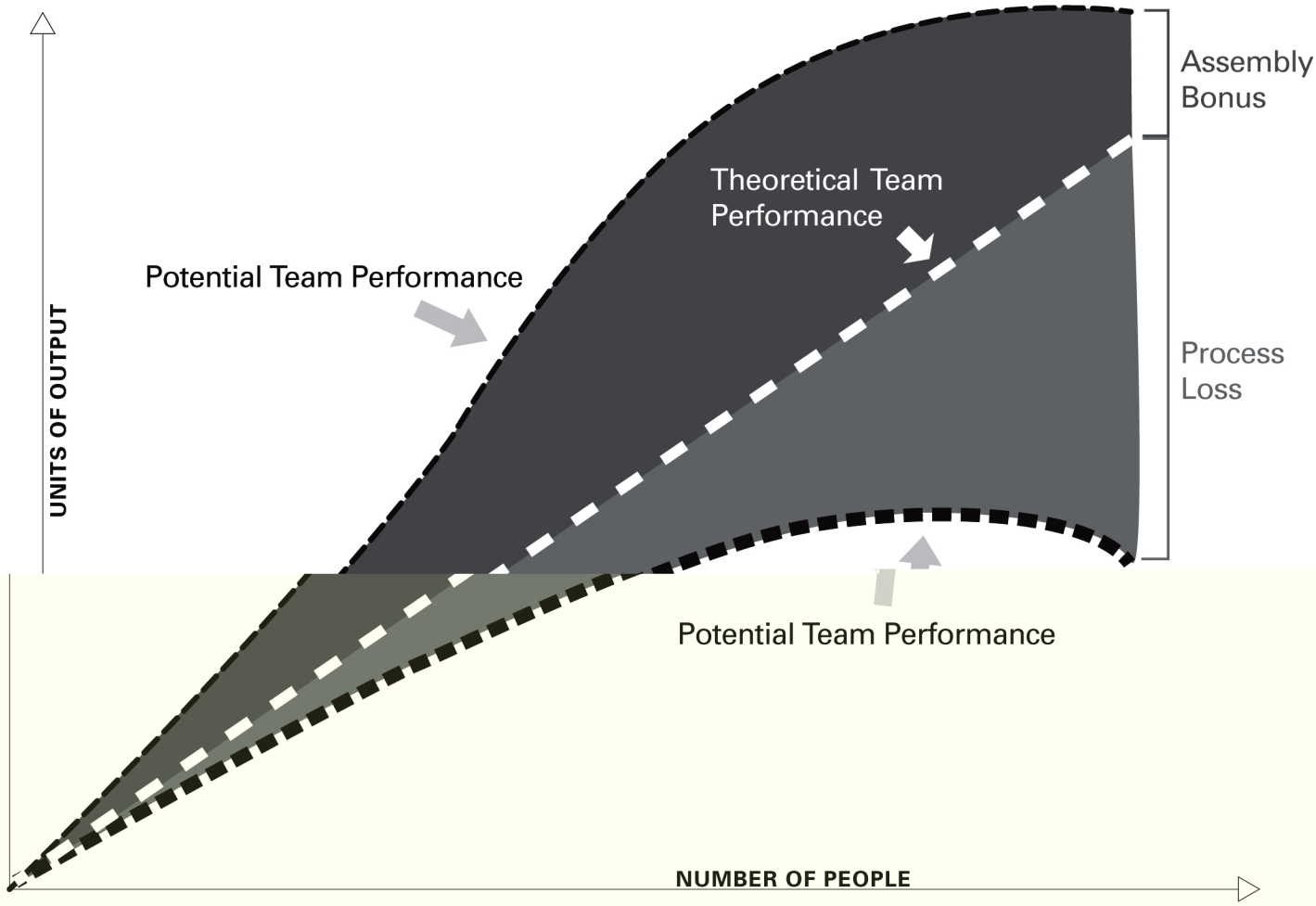


Figure 1, which charts two alternative patterns of team performance that result from adding more people to a team. The vertical axis represents units of work produced; the horizontal axis represents the number of people on the team. Theoretically, adding one member to the team should add one additional unit of team performance, a pattern represented by the dotted white diagonal line on the graph. That's the theory, but that's not what actually happens.

One common pattern of potential team performance is represented by the thin dotted line. As more people join the team, its performance outdistances the results you'd expect from the same number of individuals working alone. This assembly bonus is a direct consequence of bringing people together in a team. Conversely, there's a second pattern of potential performance, illustrated by the thick dotted line. As more people are added, the team becomes less effective, actually producing less than its members would have produced on their own. This productivity gap is known as process loss.

What determines whether a team will experience an assembly bonus or a process loss? In general, teams are more likely to be effective when they:

- Are performing the right work for a team
- Include the right people—the appropriate types and numbers of individuals
- Exist in the right context—a positive environment for working in teams
- Develop the right work process—the appropriate ways of working together

Now let's consider how these general concepts of team effectiveness apply to the unique case of the executive team.

Understanding the Executive Team

For many years, the CEO-COO structure was the dominant executive-level design at most U.S. corporations. Leadership responsibility rested with the CEO, who had primary responsibility for strategic issues, external relations, and overall corporate governance, and with the Chief Operating Officer, who had overall responsibility for internal company operations.

In the absence of a COO, the executive team collectively assumes the role of managing internal operations and may even take on some of the CEO's traditional role of formulating strategy and managing external relations. In organizations with a COO, the executive team remains important but may have a different role. In either situation, if set up effectively, the executive team is more than a group of individuals who work together; it is a truly interdependent, interactive team with a common sense of identity and shared rewards.

The defining characteristic of the executive team is a set of people who collectively take on the role of providing strategic, operational, and institutional leadership for the organization. Each member is responsible for his or her organizational unit, as well as for the leadership of the enterprise as a whole.

THE RISE OF EXECUTIVE TEAMS

As with any team, the rationale for establishing an executive team is to produce an assembly bonus—to create an entity whose collective value is greater than the sum of its individual parts. Why, then, has the shift toward executive teams accelerated in recent years? Three factors help explain the trend: external demands, organizational complexity, and succession.

External business pressures have intensified the demands on corporate leadership, and on the CEO in particular. Global competition, changing technology, shifts in public policy, and turbulence in financial markets all have added to the burdens of the CEO. The demand for greater attention to environmental instability has been accompanied by a sharper focus on short-term performance. As a result, CEOs are seeking help with both strategic and operational tasks.

At the same time, the challenge of managing diverse yet interdependent organizational units has also increased the appeal of executive teams. Many large organizations find themselves operating businesses with vastly different strategies, core technologies, distribution processes, cultures, and organizational designs. In some cases, businesses within a single enterprise directly compete with one another. That kind of organizational complexity is enormously difficult for a CEO and COO to manage without the assistance of an effective team.

Finally, as companies take a more deliberate approach to succession planning, executive teams are being used as a mechanism for identifying, assessing, and preparing possible successors to the CEO.

There are three distinct scenarios that lead to the creation of executive teams:

1. **The New CEO Scenario:** New CEOs rarely want to name a new COO right away. They might want to take the opportunity to learn firsthand about those parts of the business they know least. They might be reluctant to insert a layer of management between themselves and the major business units at a time when they're just starting to put their stamp on the organization. Or they might be wary of sending the wrong signals about designating a successor so early in their term. For any or all of those reasons, the CEO may see an executive team as a useful executive structure.
2. **The Business Diversity Scenario:** Organizations are growing more complex; many contain units or businesses with vastly different strategies, structures, cultures, and clock speed. In some cases, the CEO might feel it's just too difficult for a single COO to provide the necessary direction and coordination for such a diverse enterprise.
3. **The Executive Selection Scenario:** This usually occurs toward the end of a CEO's term,

when the CEO creates an executive team that includes several possible successors. The team provides an arena in which the CEO and the Board of Directors can observe and compare the quality of the various candidates' thinking, their leadership skills, and the nature of their relationships with other senior managers.

Of course, these scenarios change over time, and CEOs will create and manage teams through a variety of scenarios as new conditions develop.

THE KEYS TO TEAM EFFECTIVENESS

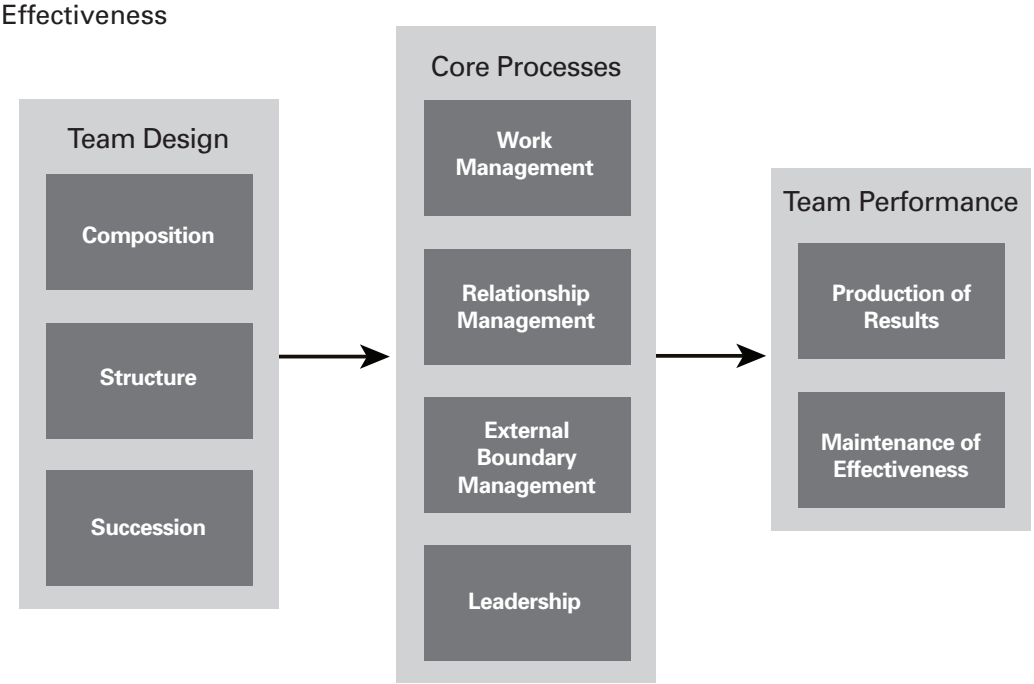
As we've observed and worked with executive teams over the years, we've developed a model that identifies the factors that shape an executive team's effectiveness (Figure 2). In the initial design phase, three elements are critical:

1. **Composition:** The mix of skills and experience influences the team's ability to work effectively on different types of problems. In addition, the extent to which members share common values and perspectives will significantly influence their interactions.
2. **Structure:** This includes the CEO's decision regarding the team's membership as well as its goals, its size, specific formal roles on the team, and the nature of individual and collective rewards.
3. **Succession:** An executive team created as part of a succession scenario will obviously affect the members' perceptions about how their performance and behavior might influence their prospects for promotion.

The composition, structure, and circumstances surrounding the creation of the executive team play a pivotal role in shaping the processes that constitute the team's pattern of interactions. These processes include:

- **Work management:** How the team organizes and manages itself to perform work—how it shares information, creates its agenda, makes decisions, and coordinates activity, particularly with regard to strategy, policy, and operations.
- **Relationship management:** How the team manages interactions among team members. Some key elements include the degree of openness, trust, and cohesiveness, and the ways in which members resolve conflicts.
- **External boundary management:** How the team deals with forces and concerns that lie outside the team and the organization. This process often

FIGURE 2: Team Effectiveness



focuses on outside players such as the financial markets, the media, key customers, competitors, and government agencies.

- **Leadership:** The ways in which the CEO's behavior shapes the team's approach to each of the core processes.

Finally, the degree to which the team successfully manages these processes will determine its performance, which can be assessed in two ways:

1. **Production of results:** How well the team fulfills its mandate to produce consistently positive results (earnings, growth, returns, etc.) and to maintain organizational performance in the face of strategic and environmental challenges. It also includes the quality of decision-making, the ability to implement decisions, success in solving problems and completing work, and ultimately, the quality of institutional leadership the team provides.
2. **Maintenance of effectiveness:** How effectively the team operates—its ability to satisfy its members' needs, to help members work together over a significant period of time, and to adapt to new demands, situations, or challenges.

These two dimensions constitute the necessary and complementary aspects of performance. In other words, the team must maintain its effectiveness as a team in order to ensure the consistent production of quality results.

Common Problems in Executive Teams

It's one thing to understand how executive teams ought to work; it's quite another to actually make them work that way in the real world. Unfortunately, we've come across far too many ineffective executive teams that suffer from these problems:

- **Synthetic Teamwork:** Many so-called executive teams really aren't teams at all. If there's no COO and no team effectively playing that role, the lack of coordination cripples decision-making and implementation.
- **Cosmetic Teamwork:** Teamwork often occurs when a CEO has created an executive team to enhance collaboration and coordination, but the underlying scenario (often involving succession) actually fuels competition. In other cases, it arises when the CEO claims to want teamwork but refuses to relinquish any control.
- **Consensus Management:** Some CEOs—particularly those with little experience in leading teams—mistake lack of direction and structure for participation and collaboration. The result is consensus management, a laissez-faire work process that results in sluggish decision-making, aversion to risk-taking, and a perceived leadership vacuum.
- **Inertia:** Executive teams often run into trouble when they carry certain processes to extremes. For example, some teams are so determined to build cohesion that they go out of their way to avoid conflict, leading to passive acceptance of decisions that many team members actually disagree with.

These problems are common and serious; any one of them can severely undermine an executive team's effectiveness. And all of them are clearly connected to the unique aspects of the executive team.

HOW EXECUTIVE TEAMS DIFFER FROM OTHER TEAMS

Executive teams are qualitatively different from any other team you'll find in an organization. That's important to remember, because previous experience really doesn't prepare people for the unusual dynamics they encounter on the executive team. Some of the notable differences:

1. **External demands:** The executive team is uniquely influenced by external forces—in particular, by customers, competitors, financial markets, the Board of Directors, and shareholders. For this team more than any other, understanding and managing the external environment is critical.
2. **Complex mandate:** The combination of internal operations, external relations, institutional leadership, and strategic decision-making creates a mandate of unparalleled complexity.

3. **Politics:** The essence of the executive team is power. The presence of politics is much more pronounced, and explicit political behavior surfaces more frequently than in other teams.
4. **"Fixed pie" reward**s: Although executive team members enjoy many rewards, the ultimate reward is the top job. By definition, succession creates a zero-sum game and thus the perception of a "fixed pie" of rewards. When one person wins, others have to lose.
5. **Heightened visibility:** As a symbol of institutional leadership, the team's overt actions and internal dynamics become a spectator sport for the rest of the organization. What might be inconsequential interactions in other teams become major events in the executive team.
6. **Individualists versus team players:** Most people appointed to executive teams have unusually high needs for power and achievement. Thus, the executive team often is composed of ambitious "rugged individualists" who are ill-prepared to lead or participate in effective teams.
7. **A seat at "the big table":** Membership on the most exclusive team in the organization carries special status and symbolism. As a result, the issue of membership—both gaining it and losing it—becomes a matter of much greater concern than on any other team.
8. **The CEO as team leader:** A key difference in the executive team is that the team leader is the CEO. That difference in itself creates a set of dynamics that are unique to the executive team; consequently, it's worth exploring in a little greater detail.

THE CEO'S UNIQUE ROLE

The CEO's role as leader of the executive team is the single most important factor in shaping the team's dynamics, and it has no parallel anywhere in the organization. It differs in three important ways.

One critical difference is the social distance between the team and its leader. For the executive team, the CEO is team leader, boss, and primary dispenser of organizational awards all rolled into one. The CEO is the ultimate decision-maker and arbiter of disputes. If problems involving personalities or performance arise between team members— or between team members and the CEO—there's no higher authority that can step in to resolve the issue. That alone makes the executive team truly unique; there's no other team in the organization where the team leader also constitutes the court of last resort.

A second difference involves the CEO's tenure. The CEO's term is more clearly defined than that of the other team members; it is more finite (due to customary retirement ages) and usually longer than the terms of most team leaders. Thus, the CEO is both more permanent in the role and more certain about when it will end.

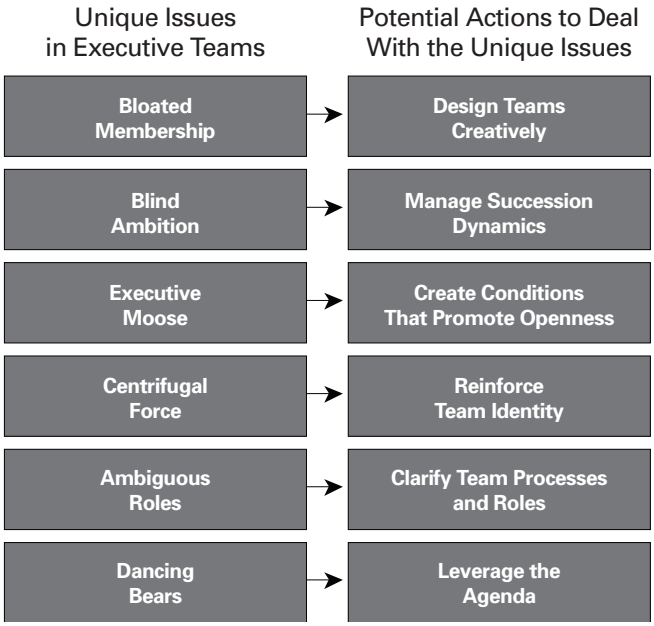
The third difference that fuels the perception of a considerable imbalance of power within the team is that executive team members have few low-cost outs. Managers who decide they don't like working for someone can usually figure out some lateral shift within the organization. But for the CEO's and COO's direct reports, the alternatives are severely limited: They can either move down or out—and both ultimately mean out. For senior executives, the costs of leaving are enormous, both in terms of lost benefits and status, and the uncertainty of finding a comparable job somewhere else. When the CEO's direct reports become restive, they review their options, begin to feel trapped, and convince themselves that the only logical option is to keep satisfying the boss.

CHALLENGES TO EXECUTIVE TEAM EFFECTIVENESS

Taken together, the perceived imbalance of power within the team, its psychological makeup, and the combustible issue of succession merge to create the volatile dynamics that complicate the work of basically every executive team.

At some point, virtually all executive teams will experience some or all of the six challenges we're about to discuss. The good news is that there are effective ways to address and cope with each of these problems (see Figure 3).

FIGURE 3: Challenges to Team Effectiveness



Issue 1: Bloated Membership

The cachet associated with the executive team inevitably imbues membership with special importance. There is constant pressure from those clamoring to join, and from team members lobbying for the inclusion of friends and supporters. The trend toward flatter hierarchies has exacerbated these pressures; CEOs who once had 4 or 5 direct reports now have 10 or 12. There's a mistaken assumption that anyone who is a hierarchical peer of a team member should also be a member, which might produce symmetry but rarely enhances performance.

Membership on the executive team often becomes an end in itself, with people attending team meetings for all the wrong reasons. They're more concerned with what they might miss than with what they might achieve. Too often, the sole motivation for showing up is to maintain visibility with the CEO.

As the group expands, factions evolve. Operating people line up against staff. The active participants view the passive spectators as dead weight. Deep divisions gradually separate members in terms of knowledge, credibility, legitimacy, and influence. At a certain point, that gap implicitly creates a first team and a second team, which diminishes genuine teamwork.

Implication 1: Design Teams Creatively

One solution is to create different teams for different tasks. Some CEOs design concentric rings of executive teams—for instance, a policy team involving the entire executive team and an operating team consisting of a small subset of the full team. In some organizations, the policy team (or its equivalent) meets periodically to deal with matters well-suited to large groups: communications, information sharing, building understanding, and ownership of new policies and strategies. The operating team, on the other hand, meets more frequently and handles issues that involve problem solving or decision-making.

Many CEOs also use ad hoc subgroups of the executive team to tackle specific issues. Or, increasingly, CEOs are appointing a chief staff officer, who supervises the managers responsible for critical staff functions such as strategy, information technology, human resources, public affairs, communications, and legal affairs. The CSO's inclusion on the executive team allows one person to represent the interests and expertise of the senior staff while limiting the team's membership to a manageable size.

Issue 2: Blind Ambition

As we noted earlier, executive teams typically include individuals who are unusually ambitious and achievement oriented. Most are acutely aware that they have only a limited amount of time in which to realize their career objectives. Their career clocks are ticking, intensifying the already competitive atmosphere.

The reality is that only a few members of any team are viable candidates to succeed the CEO. Nevertheless, as the anticipated date of the succession decision draws near, politics begin to permeate every aspect of the team. The maneuvering, positioning, and competition intensify. Depending on the intensity of the competition and the personalities involved, the behavior can easily become irrational and self-destructive.

The anticipation of a succession fight, even when the

competition isn't real, is bad enough. When it does exist—when succession is positioned as an outright horse race—matters can get completely out of hand. The competition can weaken and even demolish the trust that is crucial to productive teamwork. And the dysfunctional drama can easily continue after the new CEO is named, as members try to position themselves for second-tier jobs. Depending on its depth and duration, succession politics can cripple the team.

Implication 2: Manage Succession Dynamics

To a certain degree, the scenarios we just described are unavoidable. Succession dynamics are rooted in powerful forces of human nature. The CEO's job is to manage the dynamics to soften their impact on the team's effectiveness.

The primary challenge is to avoid the appearance of a public horse race. Time and time again we have seen CEOs create situations in which the leading contenders are pitted against each other and required to demonstrate the desire, ambition, and know-how to pull ahead of the pack. Perhaps that satisfies some primal notion of corporate Darwinism. In practice, publicly positioning top executives in explicit competition with one another is misguided, destructive, and detrimental to the organization's long-term interests.

The CEO's challenge is to keep as many options open for as long as possible and to actively discourage the perception of a head-to-head contest. Timing and managing expectations are crucial. We typically counsel CEOs to avoid any announcement, public or otherwise, that suggests a specific deadline for retiring and naming a successor. Announcing a retirement date is tantamount to firing a starting gun; the warm-ups are over and the race is on. The longer the race, the greater the damage to the executive team and the organization as a whole.

Issue 3: "Undiscussable" Issues

Virtually every team, regardless of its position in the organization, faces the problem of what is variously referred to as "the moose on the table" or "undiscussables." These are sensitive, volatile issues that are on everyone's mind and generally have a direct bearing on the team's work, yet the group will go to incredible lengths to avoid even mentioning them. You can usually find these four, among others:

1. **The distribution of power between the CEO and the team.** Which issues are negotiable and which are off limits? How far can team members go without encroaching on the CEO's turf? How broad are the limits of dissent and how deep is the need for consensus?

2. **Succession.** In some situations, the succession issue may be uppermost in everyone's mind, coloring every vote, debate, and presentation. But many teams go for months—even years—without acknowledging what's going on.

3. **Relationships among team members.** This concerns their relative power, influence, competence, and performance. In most executive teams, criticism of peers and open conflict are strictly off limits, even when everyone is aware that one of their peers is struggling.

4. **Failure.** This includes the failure of individuals, strategies, projects, or initiatives. In too many executive teams, any open discussion of failure is an absolute taboo.

If constantly avoided, any of these issues can seriously hamper the executive team's ability to work together effectively. In time, the failure to confront creates an implicit conspiracy of silence. Important issues are sidestepped; vital concerns remain unresolved. Dark emotions and destructive conflicts fester and worsen.

Implication 3: Create Conditions That Promote Openness

The key to openness is trust—often a scarce commodity at the executive team level, where the stakes are so high and competition so intense. Yet, trust and openness are more essential there than anywhere else in the organization. Day after day, these people are expected to perform perilous acts on the corporate high wire. It's up to the CEO to provide a safety net by building supportive relationships that give each individual the confidence to speak out and take risks.

But the CEO's support, by itself, isn't sufficient; there has to be a sense of trust and respect among the team members as well. Again, the CEO can play a crucial role; first, by discouraging members from undercutting the risk-takers, and second, by actively helping the team gain an appreciation of each other's insights and capabilities, which makes them more comfortable about raising difficult issues with each other.

From a practical standpoint, CEOs can tackle tough issues through the rules of engagement they lay out for the team. They can start each meeting by explaining the nature of the work—information sharing, problem solving, decision-making, and so on—and what issues can and cannot be raised. That's critical; in the absence of any clear instructions, a team's default position is to avoid addressing thorny topics.

Finally, the CEO can employ various techniques—calling special meetings to address sensitive issues, dealing with the issues in small groups or one-on-one, or inviting an outsider to help the group confront a particularly difficult matter. However it's done, the CEO must take the lead.

Issue 4: Centrifugal Force

Complicating the work of any executive team is the organizational centrifugal force that inexorably pulls team members away from each other and from their collective responsibilities. Each team member holds a job requiring a significant investment of time, energy, and attention. With so much pressure, they often view time spent with the executive team as time that could have been put to better use.

Job demands constitute the strongest force pulling teams apart, but there are others. Members' interests and expertise differ widely. In many companies, geographic dispersal presents a huge obstacle to close and constant contact. The relatively low task interdependence is another factor; there are few situations in which team members are directly dependent on each other for getting their work done. Finally, executive team members often face considerable external demands; they spend a significant amount of time with customers, suppliers, and regulators, as well as on the outside boards of businesses, community groups, and philanthropies.

Together, these internal and external forces tear at the fabric of the executive team, eroding the time, energy, and commitment each member invests in the collective entity.

Implication 4: Reinforce Team Identity

It's essential for the CEO to make sure the team members are spending time together, doing the right work. This can be either formal time in conventional work settings or informal time at offsites or social events—or even time spent traveling together to those events. Teams also benefit from casual, unplanned encounters. The significant value of these routine interactions should play a major role in decisions about the physical layout of executive offices.

Rewards can also be powerful tools for reinforcing the importance of the team. Many companies are attaching greater weight to overall corporate performance in determining individual compensation. These rewards have to be large enough to be meaningful; enlightened self-interest requires more than a hearty handshake and a slap on the back.

Issue 5: Ambiguous Roles

It's not at all unusual for executive team members to find themselves totally in the dark about the role they're expected to play during meetings.

On one level, team members are trying to assess the politics, interpersonal dynamics, and power distribution we described earlier. What are the real boundaries for argument, dissent, pointed questioning, and direct conflict? How will the CEO and team members react to any attempt to exert leadership or overt influence? In the absence of clear signals, team members tend to keep a low profile because the potential cost of crossing some poorly marked line is so high.

A second level of ambiguity involves agenda items. There's often a basic misunderstanding about the nature of the work on the table, resulting in unclear

roles and inappropriate participation. In any team situation—including the executive team—virtually any item that shows up on an agenda fits into one of these categories:

- **Giving information:** Someone in a leadership position briefs the team on periodic performance results.
- **Getting information:** Conversely, the CEO might be putting together a presentation for the Board and asks team members for their input on performance and major initiatives.
- **Making a decision:** There are different ways teams can make decisions, depending on the roles the CEO selects for himself and the team.
- **Solving problems:** Sometimes the team needs to work through a problem together before reaching the point where a decision can be made.
- **Chewing something over:** In some situations the CEO or another team member introduces an item for comment or discussion, without necessarily seeking any decision.

If members don't understand the nature of the work on the table, they don't know what role to play. For example, they might start vigorously debating with the CEO when all they're expected to do is sit and listen. This ambiguity about roles creates more confusion, frustration, and occasional anger at the executive team level than anywhere else. In some cases, it leads to passive teams that live in fear of upstaging an autocratic CEO. At the other end of the scale, some CEOs think the way to engage the team is to "just be one of the guys," which results in weak leadership.

Implication 5: Clarify Team Processes and Roles

The key to generating appropriate participation is for the CEO to make sure everyone clearly understands how the team will operate, what kinds of decisions it will make, and what roles each member will be expected to play. We frequently counsel CEOs to be extremely careful about how they make decisions in the team setting, because different kinds of decisions will demand different decision-making processes.

In general, the CEO and the team will encounter four different decision modes:

1. **Unilateral:** The CEO makes a decision on his own and then shares with the team the decision and the reasoning behind it.
2. **Consultative:** The leader seeks input from the team but makes the final decision alone.
3. **Consensus:** The CEO participates as a team member rather than as team leader, and the group works toward a collective decision.
4. **Delegation:** Others are empowered to make the decision as long as this process clearly falls within the CEO's comfort zone.

It's not enough for CEOs to recognize these different kinds of decisions; they need to be absolutely clear with their teams about what kind of decision is on the table, the ground rules for getting it resolved, and what role they personally intend to play. For example, one very effective CEO we worked with employed a number code to describe each category of decision, and would inform the team at the outset what kind of decision was on the table. And he would clarify his own role by referring to his "two hats." There were times, he said, when he wanted to be a member of the team, to argue, to test ideas, to dive into the rough and tumble of the team's work. In those cases, he talked about wearing a "cowboy hat." At other times he was clearly the boss, making executive decisions in his role as CEO. In those situations, he would say he was wearing his "bowler." His two-hat concept, so simple on its face, helped clarify his various roles by creating a language system that enabled everyone to easily address a very touchy subject.

A final note: The team's role in making decisions should never be allowed to become a moose. The CEO should make team members feel comfortable about stepping forward and asking the CEO to clarify precisely what kind of decisions are on the agenda and what role the CEO will play.

Issue 6: Dancing Bears

The executive team is a natural stage for all kinds of

performances. It's the place where other managers and teams come to present their cases for new projects or expanded budgets, or simply to share information and provide updates. In a perfect world, these would be brief, business-like work sessions in which the executive team would extract the necessary data and act accordingly.

In the real world, this opportunity to perform in front of the organization's most influential audience is too much for most people to pass up. As a result, the team is treated to an endless spectacle of choreographed presentations marked by posturing, positioning, and an obsession with scoring points rather than solving problems.

Indeed, the most shameless performances often come from the executive team itself. Some members want to show the CEO how tough and incisive they can be in questioning the unfortunate supplicants who come before the group. Because most teams frown upon outright confrontation between senior executives, competitors within the team often play out their conflict through surrogates, ridiculing and humiliating others' subordinates in front of the CEO and the team. Frequently, these unfortunates become the innocent victims of some flanking maneuver in the succession battle.

As a result, gatherings of the organization's most valuable and highly paid executives often turn into wasteful displays of self-aggrandizement, with precious little productive work or benefit to the organization.

Implication 6: Leverage the Agenda

To avoid these situations, the CEO should manage the agenda to ensure the team engages in value-added work. The first step is understanding the balance of costs and benefits involved in the team's work.

The CEO's job as team leader is to identify how to make the marginal value of the team members working together greater than the marginal cost of taking them away from their primary jobs. The value-added group work generally involves strategy decisions, major personnel actions, large resource allocations, portfolio moves, and matters involving the organization's values and ethics. Issues that fall outside these categories can probably be handled in other settings, leaving most of the team members free to do their primary jobs.

The second step deals with the nature of the work the team is being asked to do. The critical point is that this group, more than any other, requires absolute clarity about the kinds of items on its agenda and how it's going to deal with them.

Someone has to decide who really needs to be present at each meeting, who will play what role, and what the outcome should be. At some organizations, the CEO designates a staff person to take responsibility for assembling and managing the agenda prior to the meeting. CEOs must also decide whether they can adequately manage the agenda inside the room and still be a full participant or whether they should delegate that role as well. What's important is for the CEO to think through the process in advance and manage it, rather than just letting each meeting take its own course.

THE CEO AS TEAM LEADER

Clearly, the primary responsibility for creating and leading an effective executive team lies with the CEO. In that regard, the CEO has three roles to play.

First, the CEO is the designer of the team. The CEO decides whether or not to have an executive team and then creates it in whatever form he or she deems useful. The CEO determines the team's composition, structure, and roles for members. The CEO develops the team's work processes and the ways in which team members will work together.

Second, the CEO is the leader of the team "in the room." The CEO convenes the group, wields the gavel, and plays the primary role in shaping the team's dynamics. Serving as both participant and leader, the CEO makes the crucial decisions about both content

and processes—what the team will work on and how it will go about its work.

Third, the CEO is also the leader of the team "outside the room." The executive team spends far less time in face-to-face meetings than any other team, and its members are unlikely to work near each other. Consequently, the CEO's leadership of the team must extend beyond formal meetings, shaping the team through individual interactions and by managing the team's structures and processes.

Designing the Team

Earlier, we discussed half a dozen common challenges to executive teams and the implications for team leaders. To address the underlying issues of team design, we've expanded upon a model for team building first developed by Richard Beckhard (Figure 4).

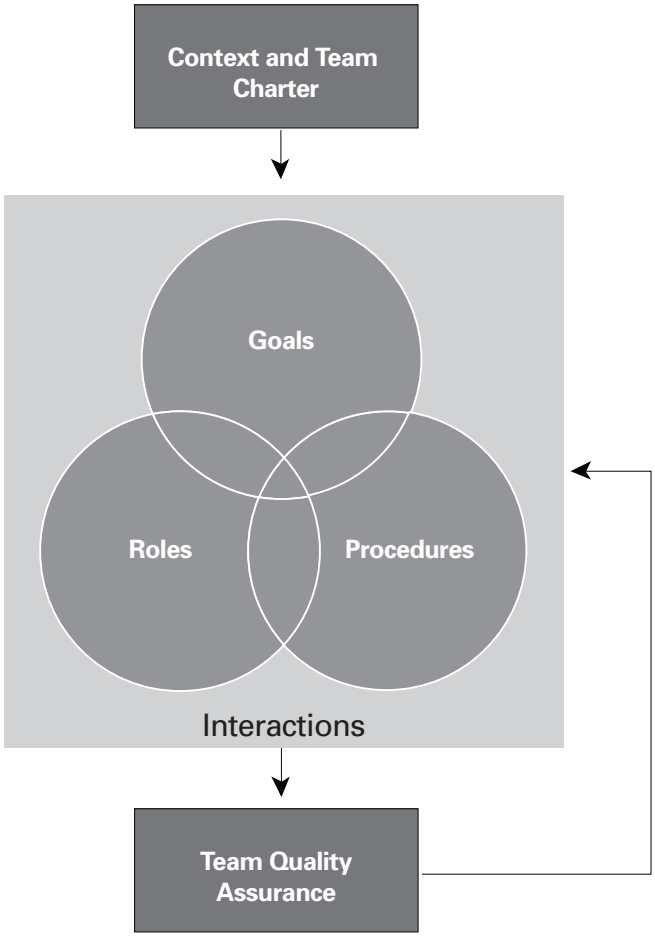
As the model illustrates, we believe there are four essential leverage points for shaping the executive team's work process: goals, roles, procedures, and interactions. Each of these elements raises important questions for the CEO and the team to consider.

Goals: Here's the fundamental question: What is the value-added work that this team can and should perform? Which activities have the potential for adding value that is greater than the marginal cost of the team? Moreover, the team, led by the CEO, needs to determine how it defines successful work and what measures it will use to assess the team's effectiveness.

Roles: The team needs to define the role each member, including the CEO, is expected to play and the requirements they're expected to meet. They also need to identify any specialized roles within the group.

Procedures: These involve the mechanisms by which the group does its work, particularly when it is together. They include the structure of meetings and work sessions, management of agendas and information flow, and processes for making decisions and managing the team's output.

FIGURE 4: Team Building Model



Adapted from: Beckhard, R. "Optimizing Team Building Efforts." The Journal of Contemporary Business, 1972, 1(3), 23-32.

Interactions: It's vital for the team to identify the patterns of behavior and operating principles—the "rules of the road"—that are critical to its successful performance. Some teams deliberately study their own interactions to understand which behaviors enhance their effectiveness and which get in the way.

A final element in team building is to create quality assurance processes that promote continuous improvement. First, it's important to launch the team effectively with initial team-building sessions that focus on charter and context, goals, roles, procedures, and interactions. Second, the team can devote time at each meeting to reviewing the agenda, clarifying expectations and requirements, and planning how best

to use its time. Third, the team can end each session by reviewing how well the members have worked together. Finally, the team can periodically assess its performance and make any necessary improvements in the team's design. The key is for the team to constantly learn from its failures and successes.

LEADING THE TEAM

As we mentioned earlier, CEOs often find themselves in a quandary over how to lead a new team. In a well- intentioned but misdirected attempt to build collaboration and teamwork, some CEOs lean much too far in the direction of consensus management.

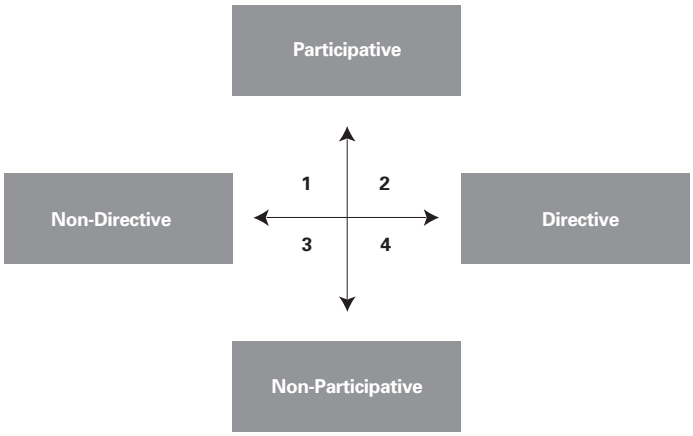
Many CEOs have a view of team leadership that mistakenly assumes that participation and direction are mutually exclusive. In their desire to participate, they fail to provide adequate direction. This approach frequently leads to poorly structured, unproductive work sessions and a drift toward ineffective management by consensus.

The actual choices CEOs face are illustrated in Figure 5. The typical CEO normally operates in Quadrant 4. In the new and unfamiliar role of team leader, the CEO moves to Quadrant 1, with frustrating results. Some CEOs throw up their hands and revert to the comfort of Quadrant 4. Others, however, find their way to Quadrant 2. They learn they can be participative in the sense that they involve the team in the content of decision-making—discussing issues, raising concerns, solving problems, and learning. At the same time, they are directive about the team's process, shaping and structuring how the team works. Some of the functions these effective CEO team leaders perform include:

- Defining the agenda topics
- Clarifying meeting objectives
- Questioning and testing for understanding
- Managing the time allocated to each topic
- "Calling the question"—clarifying when it is time for a decision
- Summarizing discussions and the results of work sessions
- Identifying next steps and accountabilities

As this list suggests, managing the process allows the CEO to take a strong role in shaping the team's performance without staking out a position on every substantive issue.

FIGURE 5: The CEO's Actual Process Choices



Summary

The complexity of running a large enterprise in today's demanding environment typically requires more resources than any single person can bring to the task. As a consequence, executive teams are emerging as a major fixture of corporate governance, and they are creating new leadership requirements for the CEO.

In the era of executive teams, CEOs will need to become effective team leaders without diluting any of their personal effectiveness as individual and institutional leaders. That is a difficult challenge, but one that holds the potential for significant rewards for the individual CEO, for the team members, and for the enterprise as a whole.

Creating and maintaining effective teams requires deliberate planning and action; particularly at the executive level, successful teams never succeed by accident. Indeed, the opposite is true—even with a successful launch and a brilliant flight plan, the

enormous pull of organizational forces will cause the executive team's orbit to decay unless the CEO provides constant leadership and direction.

To summarize, the CEO as team leader and team builder has to focus on these issues:

- Who should be on the team?
- What is the team's mandate?
- What kinds of work would be most valuable for the team to concentrate on?
- What roles and expectations is each team member expected to fulfill?
- What procedures will be used to manage work, to build an agenda, to solve problems, to make decisions, and so on?
- What are the ground rules for acceptable behavior among team members?
- How will the team regularly assess its effectiveness and improve its performance?

The CEO who decides to create an executive team must make it a priority to build and develop both the team's effectiveness and his or her own skills as a team leader.

About Nadler Advisory Services

Nadler Advisory Services offers highly specialized consultation to CEOs, boards of directors, and senior teams to help enhance the quality of executive leadership, corporate governance, and organizational performance. Nadler Advisory Services is firmly focused on high-level, close-in advice and consultation to CEOs, boards and senior teams in the following areas:

- CEO Advisory Services
  - Personal leadership effectiveness
  - Building an effective leadership team
  - Organizing the leadership of the enterprise
  - Collaborative strategy development
  - Effective communications
- Board Advisory Services
  - Assessment of overall board performance
  - Analysis of board composition
  - Evaluation of individual director performance
- CEO Succession Planning Services
  - Navigating all phases of the succession process: initiating the conversation, identifying and developing candidates, selection, transition planning, and supporting the new CEO

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