The Problem with Senior Leadership Teams …and the Opportunity

By Chris Morgan

Is your company struggling to keep up with growth? There are many points of failure when it comes to managing growth and keeping up with customers' demands. At the top failure might not be so much about individual leadership, but about how well the leadership team is working together. Here's a tool to evaluate that.

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The problem with teams

> *For the two weeks after the announcement, there was a flurry of Google and LinkedIn searches. Everyone reached deep into personal networks to try and get a fix on Fred. Three adjectives kept coming up; smart, driven and tough. Within a month, there was a senior level reorganization and he brought in a couple of his old buddies to the top team. Sixty days in, and we are discussing how to get 30 percent revenue increase with a 15 percent operating cost reduction. Hit those numbers and we will be back in line with competitor ratios. Fred wants the team to be firing on all cylinders within his first 100. He knows that he needs to build trust and some kind of resilience for the assault that this transformation will be, but he can't ease off the gas pedal either. Everyone has their game face on, but there is a lot of trepidation about where this is going, confusion about how to read the new boss and his guys. Some of the team members are posturing while others are keeping their heads down. We are definitely a couple of cylinders down.*

The scenario above is increasingly common as the pace of organizational change accelerates in response to disruptive new technologies, disaggregation of whole industries and a flatter field for competition. Senior teams need to be great at both strategy and operational efficiency.

While some face the challenge of full-scale transformation, here are four other situations where executive teams simply find themselves performing well below potential:

- **Weeds:** Some get caught in a routine of endless meetings, never able to get the higher values add activities.
- **Silos:** There is a gravity in organizations that pulls people back to the silo mentality, to the area for which they experience primary responsibility and have most control. The more the boss pressures for performance, the more folks retrench and become parochial.
- **No Mojo:** Of course, everyone is busy keeping the wheels on the bus, running from one meeting to the next, trying to hit another project deadline or an Executive Committee presentation. But the enthusiasm for a braver vision and the drive to get out in front is missing
- **People Stuff:** Every time Peter speaks, he prefaces by referring to the well-branded companies he worked for in the past. It just irritates. Keith is a nice guy but just can't make a decision. And then there is Tom, our boss. No one will say it to his face. To the contrary, everyone tip toes and protects with correctness and even deference.

If you have any experience working with management teams, aspects from the five examples will sound familiar; you might have even seen them all.

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A few years ago, Morgan Alexander conducted some proprietary research to determine whether there was a correlation between successful organizations (measured by ROI relative to industry peers) and measures of effective teams. Using a standard questionnaire we asked 70 senior managers on the top leadership teams of 38 publicly traded companies to evaluate their own performance in three dimensions; Direction, Organization and People. While the research approach relied on subjective evaluation of the team, our sample reported clear correlation effectiveness in these three dimensions and shareholder returns.
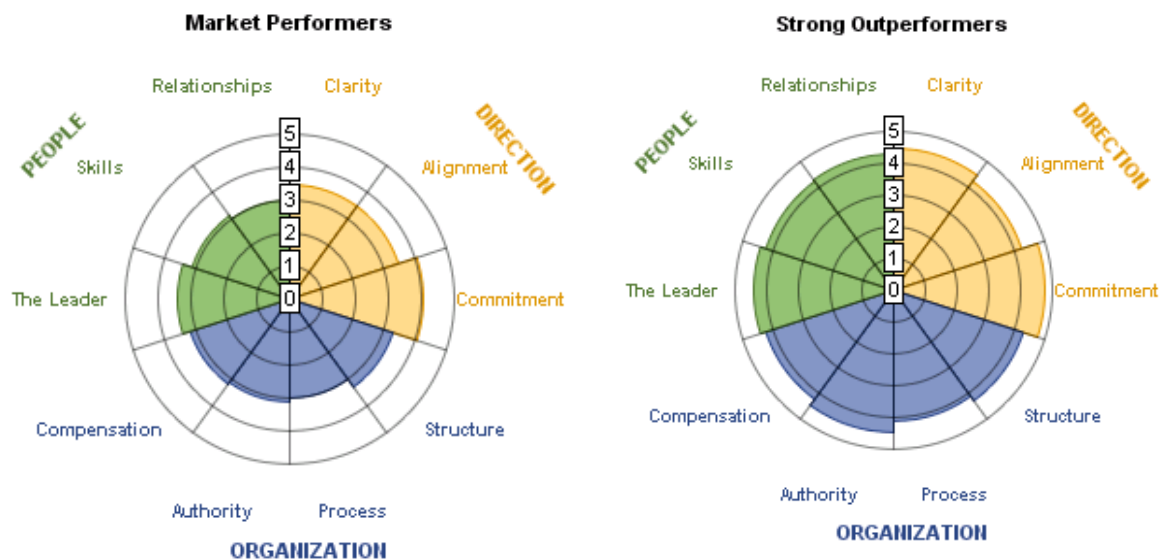
Top leadership teams of companies that outperform their market rate themselves higher in three dimensions.
Strong Outperformers – Total Return to Shareholders (TRS) outperforms the market index by at least 20% per annum

Even if the science is imperfect and we know that it takes more than a well functioning top team to shift shareholder value; we know there is a correlation here, and we have a good hunch that there is also some cause and effect. The influence of the team translates into big numbers.

…And the Opportunity
Stated positively, effective leadership team behavior is one of the most cost effective and influential strategic levers. When compared to the tens of millions of dollars cost of strategic initiatives such as product development, M&A, new facilities and/or technology etc., good leadership from top teams offers an incredible value. But too often, senior teams perform well below their potential and at great cost.

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Given the scale of leverage, should we perhaps think more about coaching senior management teams instead of focusing on coaching individual executives; which has been the trend for the last two decades? I recently heard an estimate that 90 percent of CEOs have a coach. I see four good reasons to invest in Coaching the Executive Team instead of, or as a compliment to Coaching Individuals. These reasons all add up to getting a higher return on your development dollars; significant more bang for your bucks.

1. A team is more coachable than an individual

Psychologists have demonstrated that personality traits don't change over time. Similar, though more contentious, claims can be made about individual thinking styles, preferences, interests, cultural orientation and intelligence. Add to this the fact that a typical candidate for executive coaching is already a seasoned professional with a career's worth of experience to validate their leadership style. In summary, we should not expect change to come easily.

2. Individual development needs are informed by the team context

Coaching the Executive team doesn't mean the need to coach individuals goes away. It is informed, however, by the shared work done and a host of other team expectations. An executive's personal development needs are always as much a reflection of their circumstances as their personal shortcomings.

For an individual to perform successfully as part of a senior management team, the coach and coachee must think beyond personal effectiveness and skills. They must consider cultural norms, organizational history, loyalties, politics, power, personality types and chemistry with the leader. Much of this comes down to the need to build trusting relationships and a sense of shared identity. That is easier said than done and almost impossible without including the team in the development process.

3. Individuals learn better in the team context

While executive coaching offers the benefits of a one-to-one student to coach ratio, it suffers from the isolation. The most well-known and reliable programs for effecting personal change are group-based. Think Alcoholics Anonymous, Weight Watchers, Smoke Enders, Team in Training, T-groups and Outward Bound. The same is true for helping executives become more effective in the workplace.

Some forward-thinking organizations and executive coaches are already using the power of the team and in particular the use of Peer Feedback to develop people and performance. Valve® is a software/gaming company showing 200 percent year on year growth, more profitability per employee than Google or Apple and has made its founder, Gabe Newell, a billionaire. The organization structure is perhaps even more remarkable. There is none. That's right, it is completely flat. There are no managers, just completely self-organized teams. So how do they manage this chaos and develop people? Well, in part they pay attention to hiring exceptionally talented people (the kind of expectation you might have
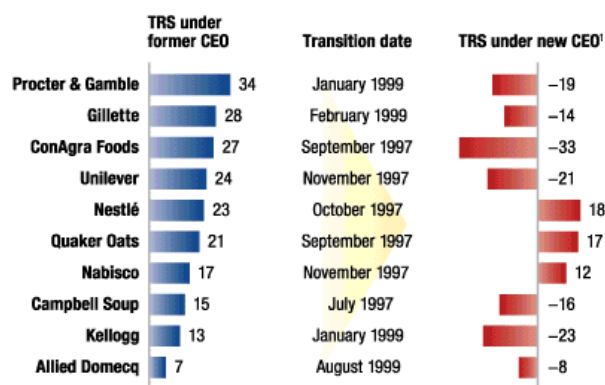
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for a senior executive), but their key development process is Peer Feedback. These guys really are as radical as they are successful. Google, the world's best company to work for, among other accolades, also features frequent peer reviews as a core performance and development process. They call them 'Perfs'! Boston Consulting Group, which came in right behind Google in the independently ranked list of Best Companies to Work For also has a practice of frequent (every six weeks) and rich (narrative comments on performance and how to improve) peer feedback.

4. The leadership team has greater collective influence over organizational results

American culture is known for its emphasis on rugged individualism. Likewise, Western business culture often lionizes the go-it-alone approach to leadership. The business press adds to the mystique, turning CEOs into minor celebrities. Even financial analysts, when evaluating top management's contribution to corporate success, tend to overemphasize CEO and CFO roles and overlook the fact that it is the management team that drives results.

 "Heroic leadership is not enough," proclaims a landmark *McKinsey Quarterly* article. "Long-term success depends on the whole leadership team, for it has a broader and deeper reach into the organization than the CEO does."

Effect of hiring new CEO on total returns to shareholders (TRS), percent

	TRS under former CEO	Transition date	TRS under new CEO[1]
Procter & Gamble	34	January 1999	−19
Gillette	28	February 1999	−14
ConAgra Foods	27	September 1997	−33
Unilever	24	November 1997	−21
Nestlé	23	October 1997	18
Quaker Oats	21	September 1997	17
Nabisco	17	November 1997	12
Campbell Soup	15	July 1997	−16
Kellogg	13	January 1999	−23
Allied Domecq	7	August 1999	−8

Source: The McKinsey Quarterly.

McKinsey & Company research questions the benefits to shareholders when boards replace CEOs in order to re-shape an organization. Comparing consumer goods companies, they all performed worse (as measured by total returns to shareholders) under new CEOs.

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How well is your team performing?

Through the years I have noticed that while my clients like to talk about themselves, they would much rather evaluate just about anyone but themselves! However, if you are interested, you can answer the following questions to get the team development conversation started with your own team. This is the Morgan Alexander 3-Dimensions questionnaire© we used for our research. The scores will not present a perfect diagnosis, in fact each leads to a myriad of sub-questions, but they will reveal the kinds of conversations to have to help team development.

Morgan Alexander 3-Dimensions© Questionnaire

Direction dimension

a. Clarity:

1. How clear is the long-term vision and strategy for the team's enterprise?
No one clear □   Most are unclear □   50/50 □   Most are clear □   Everyone is clear □

2. Is there a meaningful purpose and/or charter for the team as a team? Reasons that it can produce more/better as a team than as a collection of independents
No one clear □   Most are unclear □   50/50 □   Most are clear □   Everyone is clear □

3. Are the milestones and measures of progress clear for the team?
No one clear □   Most are unclear □   50/50 □   Most are clear □   Everyone is clear □

b. Alignment:

4. Do all members share the same interpretation of the group's vision and how to implement it?
All are misaligned □   Most are misaligned □   50/50□   Most are aligned □   All are aligned □

5. To what extent are individual member's work goals mutually supportive versus conflicting or competitive?
All are misaligned □   Most are misaligned □   50/50□   Most are aligned □   All are aligned □

6. If each team member had to independently list the team's top 5 priorities, to what extent would they be the same?
All are misaligned □   Most are misaligned □   50/50□   Most are aligned □   All are aligned □

c. Commitment:

7. How resilient is the team in finding solutions in the face of major challenges, multiple demands and shifting priorities?
Most are disengaged □   Some are disengaged □   50/50□   Most are committed □   All are committed □

8. How passionate is the team about achieving its goals and keeping its promises?
Most are disengaged □   Some are disengaged □   50/50□   Most are committed □   All are committed □

9. To what extent does the team demonstrate and foster the value of achieving outcomes once promised?
Most are disengaged □   Some are disengaged □   50/50□   Most are committed □   All are committed □

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Organizational Dimension

d. Structure:

10. How clearly does the team's structure reflect the organization's needs; it's strategic intentions as well as its existing economic entities, core processes, product lines, customer segments, regions and functions?

Highly ineffective   Ineffective   Neither Effective nor Ineffective   Effective   Highly Effective

11. How able is the team to flex and adapt its structure to changes in priorities?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

12. Is the team an effective size, finding the balance between a focus on execution (small) and inclusion (large)?

Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

e. Management Process:

13. How effective is the team at surfacing and working through the most important, and difficult, issues?
Highly ineffective   Ineffective   Neither Effective nor Ineffective   Effective   Highly Effective

14. How efficient and productive is the team's use of its time during its regular meetings?
Highly ineffective   Ineffective   Neither Effective nor Ineffective   Effective   Highly Effective

15. How effective are the team's processes and practices of staying in touch with the larger organization?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

f. Authority:

16. How well does the team's decision-making process adapt to the needs of the situation - from consensus based to leader directed?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

17. How clear is the decision-making authority within the group? For any given task, is it clear which individual or group has decision authority?
No one clear □   Most are unclear □   50/50 □   Most are clear □   Everyone is clear □

18. How effectively does the leader hold individuals accountable for individual responsibilities and hold the team accountable for team responsibilities?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

g. Compensation/Reward:

19. Is the compensation/incentive program set appropriately to recognize team performance and individual contribution?
Highly ineffective   Ineffective   Neither Effective nor Ineffective   Effective   Highly Effective

20. For the individual component, how well is compensation/incentive linked to objectives within their control?
Not linked □   Barely linked □   Somewhat linked □   Linked □   Highly linked □

21. To what degree is the overall reward program perceived to be fair and achievement motivating?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

People Dimension

h. The Leader:

22. Competent: Demonstrates all the necessary skills, experience, and industry knowledge? Without a question, the right person for the job
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

23. Compelling strategist; Articulates a clear and convincing strategy to internal and external audiences?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

24. Healthy relationships: Builds and enjoys trust, loyalty and candor from the team?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

i. Skills:

25. What percentage of the team demonstrates outstanding skills and experience for their role? If you were to hire again for that position, you would hire the same persons?
Less than 50% □   More than 50% □   More than 70% □   More than 90% □   100% □

26. Does the team have the appropriate mix and diversity of talent and perspectives for their charter?
Highly ineffective   Ineffective   Neither Effective nor Ineffective   Effective   Highly Effective

27. How effective is the process of managing and upgrading the team's skills (assessing, hiring, firing, and coaching the team)?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective

j. Relationships:

29. To what extent do team members trust each other? Can they be honest about their weaknesses and mistakes as well as their strengths and accomplishments?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

30. How well does the team deal with conflict? Does the team confront tough situations and respectfully challenge each other when appropriate?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

31. Does the team communicate openly and honestly share information, both good and bad?
Highly ineffective □   Ineffective □   Neither Effective nor Ineffective □   Effective □   Highly Effective □

Overall:

1. How do you rate this team's overall effectiveness?
Strong Underperform □   Underperform □   Average □   Outperform □   Strong Outperform □

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