Top Team Effectiveness: The 6 Conditions

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Who Are We?

- Global firm
- 2000 professionals worldwide
- 86 offices in 47 countries
- Top 50 Global Consulting Firm
- Ranked #1 Among Global Firms in Leadership Development
- Consult to 350 of the Fortune 500 in U.S.
- Consult to over 300 of the Top 500 in Canada
- Consult to 60 of the Top 100 in Saskatchewan
- Regina Office for 28 years and counting!
Best-Practices, Research, Thought Leadership

books published...

• Partnership with Harvard University

• Thought leadership regularly appears in various publications

• On average, quoted in the media 65 times per month in over 20 countries
Why we are here today

- The new reality in leading effective leadership teams – what it takes to make them great
- Highlight the main findings of global research establishing the essential conditions to be fostered to create successful leadership teams
- How CEOs can draw on the full range of capabilities of their leadership team to:
  - Help formulate and execute a coherent strategy
  - Realize your company’s objectives
  - Respond quickly to changing market conditions
The new reality in leading senior leadership teams

The demands of those who occupy the top roles of organizations are rapidly out-distancing the capabilities of any single person ... no matter how talented

Because shareholders care about results

35% of institutional investors' valuation attributable to non-financial measures

- Attracting and Retaining Talent: Does company have talent to deliver against current/future business plans?
- Management Experience: Capability of management team — are leaders appropriately prepared for key positions?
- Likelihood of Strategy to Create Value
- Strategy Execution
- Management Credibility vis-à-vis Commitments
- Innovativeness and Ability to Adapt
- Compensation Policies that Support Strategy

Source: Mavrinac & Siesfeld (1997), Measuring Intangible Investments
So why is this important?

Having strong leaders pays off.

Source: Hay Group Research Insight, Dec. 2006

Top Teams: The Research

- 120+ teams, 11 nations, wide range of industries
- Rigorous empirical study, not anecdotal
- Rich mix of quantitative and qualitative assessments of the teams
- Interviewed and surveyed all members, observed teams to capture potential influences on their effectiveness
  - Design and structure of the teams
  - Characteristics of the members
  - Actions of the leader
Effectiveness of the leadership teams we studied

- Performance:
  - Outstanding: 21%
  - Mediocre: 42%
  - Poor: 37%

- Increase in capability over time:
  - Outstanding: 24%
  - Mediocre: 43%
  - Poor: 33%

The six conditions for CEO’s to cultivate to lead a successful Top Team

- Real Team
- Compelling Direction
- Supportive Context
- Right People
- Sound Structure
- Team Coaching

The ESSENTIALS

The ENABLERS

TEAM LEADERSHIP
Summary

- Hay Group breakfast sessions held across Western Canada in March-April 2008
- 125 people attended in 5 locations
- Cumulative data provided
- Data was consistent from one geography to the next
The six conditions for CEO’s to cultivate to lead a successful Top Team

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**The ESSENTIALS**

- Real Team

**TEAM LEADERSHIP**

**The ENABLERS**

- Right People
- Sound Structure
- Team Coaching

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**Executive Team Survey**

**Overall Summary**

- Real Team
- Compelling Direction
- Right People
- Sound Structure
- Supportive Context
- Team Coaching

**Essential Conditions**

**Enabling Conditions**
Condition 1: A real team

**Bounded:**
Clear who is—and who is not—on the leadership team

**Stable:**
Membership is kept intact for some period of time

**Interdependent:**
Members share accountability for a common purpose

Challenge: Do I want a team?

The first challenge for the CEO is:
- Do I want a team?
- Do I want sub-teams and focused on what?
- How do they interrelate?
Four kinds of leadership teams

- Decision-making team
- Coordinating team
- Consultative team
- Information-sharing (alignment) team

Who is on the team?

**Team A**
- Actual team size (according to the CEO): 11
- Estimates of team size (by individual Members): 13, 12, 11, 11, 7, 12, 12, 24, 11, 15, 84

**Team B**
- Actual team size (according to the CEO): 5
- Estimates of team size (by individual Members): 5, 5, 7, 8, 9
Team Size

What do you think is the optimal size of a senior leadership team?

A. 3-5
B. 6-9
C. 10-15
D. 16-20

Creating a real leadership team(s)

The Way Forward:
- Form multiple teams for separate functions (core decision-making, coordinative, information sharing)
- Create interlocking, not hierarchical relations
- Reflect the relationships in the names of the teams
**Condition 2: A compelling purpose**

**Clear:**
Can imagine what it would look like if we achieved it

**Challenging:**
A stretch of capability to achieve it, but not impossible

**Consequential:**
Important impact on the success of the organization and on the lives and work of others

Compelling purpose?
The teams we studied....
A compelling purpose

The Way Forward:

- Expressing the unique added value of this team to execute the strategy
  - What decisions? Make it a very short list.
  - Myth: Great top teams deal with strategic issues only
  - Reality: They deal with mission critical issues, including tactical ones

Challenge:

What’s the purpose of the team?

Why articulating a compelling purpose for a top team is hard:

- Leadership team purpose is not just “This is the strategy: execute that.”
- Conceptual task: How do you express the unique added value of this team?
Condition 3: The right people

A well-composed team
- Members are people who can take an enterprise perspective
- Members have the ability to work collaboratively
- Who? and How many?
- All the “derailers” are removed:
  - Incompetent
  - Insular and/or rigid
  - Disease to please
  - Corrupt
  - Arrogant
  - Emotional Roller Coaster
  - Avoidance (of accountability, decisions, people issues, etc.)

Challenge:
Who should be on my team?

Why CEOs wind up with the wrong people on the team
- Title does not mean a seat at the table (“All my direct reports”)
- Excessive inclusiveness (representing all areas by giving a seat)
- Huge emotional challenge to remove members
- “Held hostage” by star individual performers
The right people

The Way Forward:

- Identify key skills and collaborative capabilities needed for this team purpose
- Have the hard conversations
- “Onboard” members with their enterprise and team roles

Group Size and Links Among Members

The larger the group, the more process problems.
What are appropriate activities for your Top Team?

Using the “Executive Team Effectiveness” questionnaire, individually ask yourself:

Where on the matrix does my Executive Team currently spend the majority of its time and effort? Plot your response on the matrix

Now, in your table groups, discuss:

Where should your Executive Team spend its time and effort in order for the team’s work to be consequential – i.e., for the outcomes to have a significant impact on the organization and its people
What are appropriate activities for your Top Team?

- Financial Reviews
- Project Reviews
- Talent Management
- New Products
- New Markets
- Brand Positioning
- Decision Making
- Coordinating
- Information Sharing
- Consultative

Tactical
- Short-Term Horizon
- Backward Facing
- Internal Focused

Strategic
- Long-Term Horizon
- Forward Looking
- External Focused

The 3 Enablers

- Sound Structure
- Supportive Context
- Team Coaching
Condition 4: Sound structure

**Right size:**
Keep it small

**Meaningful team tasks:**
The work members do together is vital and connected to the strategy

**Norms of conduct:**
Members understand what must always be done, what must never be done (norms/ground rules/team charter/operating guidelines/etc.)

Challenge:
Members think meetings are a waste of time

**Why it happens:**
- Group is too large, meeting purpose ill-defined
- What’s on the agenda is too much and/or too trivial
- Process of agenda-setting: “What do you want to talk about?”
- Poorly structured meeting time
- Agendas of Top Teams often have: standing items, submitted items, space for discussion
At your tables…

1. How often does the SLT meet?
2. For how long?
3. Is there a screen/filter for what “makes it” onto the agenda?
4. Is there a formal process and format for item submission in advance of the meeting?
5. How would you describe the nature of the items on the agenda? (tactical vs strategic)

Outstanding Top Teams have sound structures

- Right Size
- Meaningful Tasks
- Clear Norms

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Creating a sound structure

The Way Forward:

- CEO ultimately chooses the topics on the agenda
- CEO sets norms for preparation (advance submission, format, nature of items, etc.)
- Members distribute material in advance for key discussions
- Leader must model norms; Won’t “take” otherwise

At your tables…

- How many of your Senior Leadership Teams have a Team Charter?
- Describe the items typically found on a the Charter of a Senior Leadership Team
Condition 5: A supportive context

Rewards for team excellence
- Rewards do not themselves create collaboration
- They can be a powerful negative; they can divide (status, fairness)

Information:
What data the team needs—in a form they can use

Education:
Training and technical consultation to build expertise

Material resources:
The space, time, and “stuff” for working together on hard decisions

Challenge: The group is not productive together

What gets in the way?
- Poorly designed information systems: The “three-inch binder…”
- Rewards that undermine collaboration: Feelings of unfairness or lack of trust
- Working context creates obstacles
  - Poor space
  - Little time
Providing support resources to a leadership team

The Way Forward:

- Get well-organized data and insist on high-quality work to support team decision making
- Pay attention to entire reward package: what is the component mix between individual, team (functional unit), and organizational?
- Put careful thought into what the team needs for the kind of collaboration you want

Condition 6: Expert team coaching

The Way Forward:

- Team coaching—as an entity as well as individually
- Providing coaching and being a participant in the discussion at same time is often too hard—consider an external coach
- Demand of yourself the same work ethic about leading the team as you would have about every technical/business item on your list
Challenge: The team is stuck

Signs of the challenge:

- All the other conditions are in place
- CEO sees little or no progress in the kinds of challenges the team can handle together, signs of wheel-spinning

How CEOs Apportion Their Attention

* These scores are relative ranks; it is not possible to score high on all of them.
The 3 Enablers

- Supportive Context
- Sound Structure
- Team Coaching

The Six Conditions

- Real Team
- Right People
- Sound Structure
- Compelling Direction
- Team Coaching
- Supportive Context

The ENABLERS

The ESSENTIALS

TEAM LEADERSHIP
Team Development Model: Building Blocks of Effective Teamwork

Interpersonal Relationships
Processes
Roles
Goals

How Leaders Drive Results

Leaders Create the Climate for Success

Leadership style accounts for an average of 70% of the variance in climate
Climate accounts for an average of 30% of the variance in performance
Overview

The link from Styles>>Climate>>Results is the subject of the most requested re-print in the history of the Harvard Business Review, an article called “Leadership That Gets Results.”

In 2008, The London Times ran a 6 part series on the 6 Leadership Styles (www.timesonline.co.uk)

The Six Climate Dimensions

Flexibility  Responsibility  Standards

Rewards  Clarity  Team Commitment
Top Teams: Create A Different Climate

<table>
<thead>
<tr>
<th>FLEXIBILITY</th>
<th>REWARDS</th>
</tr>
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<tbody>
<tr>
<td>Unnecessary red tape</td>
<td>Performance Feedback</td>
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</table>

<table>
<thead>
<tr>
<th>RESPONSIBILITY</th>
<th>CLARITY</th>
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<tbody>
<tr>
<td>Discretionary judgment in job</td>
<td>Goals of Org + Role Purpose</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>STANDARDS</th>
<th>TEAM COMMITMENT</th>
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<tr>
<td>Emphasis on doing your best</td>
<td>Pride in the Organization</td>
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Climate: Your Responsibility

- Climate is determined by the leader (you!)
- You shape 70% of the climate your people experience
- Climate accounts for 30% of the results that come from your people
Leadership: It Starts With Clarity…Gaps

What Our Research Shows:
The Proof is in the Performance

- IBM managers who created de-motivating climates generated slightly more revenue for their accounts, but the managers who created energizing climates contributed an additional $700MM to the bottom line.

<table>
<thead>
<tr>
<th>Managing Directors</th>
<th>Annual Business Results ($M)</th>
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<tbody>
<tr>
<td></td>
<td>Profit Margin*</td>
</tr>
<tr>
<td>Creating Energizing</td>
<td>$1,136 M</td>
</tr>
<tr>
<td>Climates (n=11)</td>
<td></td>
</tr>
<tr>
<td>Creating Demotivating</td>
<td>$425 M</td>
</tr>
<tr>
<td>Climates (n=10)</td>
<td></td>
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<tr>
<td>Incremental Value of</td>
<td>$711 M</td>
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<tr>
<td>Positive Climate</td>
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* p < .06

• Statistically Significant Difference
Leadership Styles

Learn to build all of your muscles:

- **Directive (DIR)**: More stick, less carrot
- **Visionary (VIS)**: “Here’s where we’re going”
- **Affiliative (AFF)**: Creates Harmony
- **Participative (PAR)**: Making decisions by consensus
- **Pacesetting (PAC)**: Running fast, keep up
- **Coaching (COA)**: Long-term development of others

Top Teams: Use Different Leadership Styles
How Leadership Style Impacts Team Performance

A Broader Range of Styles Creates a Better Climate, Which Leads to Better Performance

IBM leaders who created energizing climates had a broad repertoire of Leadership Styles. Leaders who created de-motivating climates relied primarily on personal heroics.

<table>
<thead>
<tr>
<th>Leadership Styles</th>
<th>Energizing Climates</th>
<th>Demotivating Climates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directive</td>
<td>26</td>
<td>45</td>
</tr>
<tr>
<td>Visionary</td>
<td>80</td>
<td>48</td>
</tr>
<tr>
<td>Affiliative</td>
<td>76</td>
<td>41</td>
</tr>
<tr>
<td>Participative</td>
<td>71</td>
<td>46</td>
</tr>
<tr>
<td>Pacesetting</td>
<td>48</td>
<td>75</td>
</tr>
<tr>
<td>Coaching</td>
<td>71</td>
<td>40</td>
</tr>
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</table>
How Leaders Drive Results

Leaders Create the Climate for Success

Leadership styles account for an average of 70% of the variance in climate.

Climate accounts for an average of 30% of the variance in performance.

An Iterative Process

Team
- Events
- Coaching

Individual
- Coaching

Team Manages Its Own Effectiveness

Team Ineffectiveness
Key Points

1. Identify the Type of Team You Want
2. Give a Top Team Vital Work
3. Clarity is Everything
4. De-railers Can Kill a Sr Team
5. Team Norms are Crucial
6. Invest in the Team Itself
7. Leading Sr Teams is a Learned Skill
8. When the Top Team functions well, so too does the organization. Gaps on the Top Team are magnified as they cascade down through the organization
Book released
January 24, 2008

Available now on Chapters.ca and Amazon.ca

Thank you!
Questions, comments, and discussion