

# Teamwork

## at the top

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When the top team isn't working well, the whole company suffers.  
How can top teams fix themselves?

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**T**he popular business press on both sides of the Atlantic is infatuated with chief executive officers who have drunk from the Holy Grail of heroic leadership. To be sure, a single person can make a difference at times, but even such heroic CEOs as General Electric's Jack Welch emphasize the power of team leadership in action. As Welch himself said, "We've developed an incredibly talented team of people running our major businesses, and, perhaps more important, there's a healthy sense of collegiality, mutual trust, and respect for performance that pervades this organization."

Increasingly, the top team is essential to the success of the enterprise. Indeed, Welch is celebrated not only for increasing GE's revenues nearly sevenfold in his 20-year tenure but also for building one of the world's strongest executive talent portfolios, which has provided new leadership for many Fortune 500 companies besides GE.

So despite the obsessions of the business press, senior executives, shareholders, and boards of directors question the myth of heroic leadership.



GO  
TEAM

CULTURE CHAMP

Merely bringing in a new CEO to reshape an organization will tend to show mixed results; in the consumer goods companies analyzed in Exhibit 1, for example, they were always worse after the arrival of a new CEO. In reality,

long-term success depends on the whole leadership team, for it has a broader and deeper reach into the organization than the CEO does, and its performance has a multiplier effect: a poorly performing team breeds competing agendas and turf politics; a high-performing one, organizational coherence and focus.

Often, however, the leadership team is at best a collection of

strong individuals who sometimes work at cross-purposes. What does it take for senior managers to gel as a team? Our work with more than a score of top teams, involving upward of 500 executives in diverse private- and public-sector organizations, suggests a straightforward process for enhancing their performance.

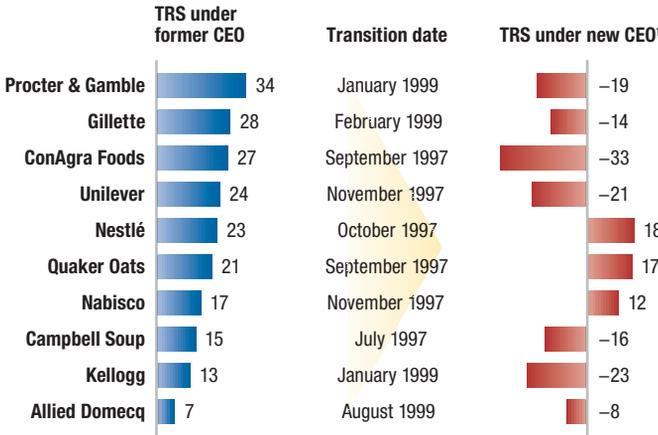
The most effective teams, focusing initially on working together, get early results in their efforts to deal with important business issues and then reflect together on the manner in which they did so, thus discovering how to function as a team. Formal team-building retreats are rare; behavioral interventions and facilitated workshops, though sometimes helpful, are not central to the effort of team building. Top teams address business performance issues directly but behavioral issues only indirectly and after the event.

A second myth of leadership, as pervasive as the myth of the heroic CEO, is the idea that seasoned managers slotted into an organizational chart can easily function as a team. In reality, top teams face many problems: finding the right people, matching the available skills to the job, and learning to work together without taking the time to craft roles. Teams don't magically coalesce overnight. Their members have to be close in the professional rather than personal sense; they can thrive in an atmosphere of conflict if

EXHIBIT 1

**Heroic leadership is not enough**

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



<sup>1</sup>As of August 2000.

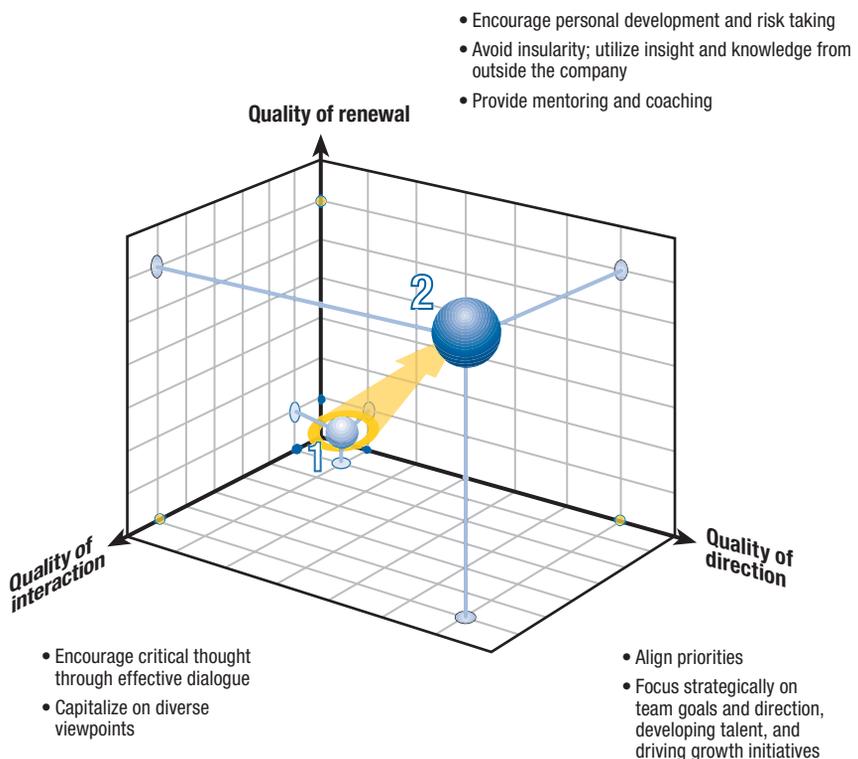
it is managed to increase creative output and to catalyze change. Becoming a top-performing top team must be one of the team's goals.

To meet that goal, teams have to master three dimensions of performance. First, they require a common direction: a shared understanding of goals and values. Second, skills of interaction are crucial if the team is to go beyond individual expertise to solve complex problems and, equally, if it is to withstand the scrutiny of the rest of the organization, for people usually take their cues from the top. Finally, top teams must always be able to renew themselves—to expand their capabilities in response to change.

One reason for the difficulty of improving a team's performance is that interaction, direction, and renewal are interdependent—teams need to go forward simultaneously on all three fronts to make real progress (Exhibit 2). It isn't surprising, for instance, that top teams interact poorly when they don't have a common direction. By contrast, enhanced performance in one dimension not only reinforces the improvement in others but also provides for the genuine personal development that builds success.

#### EXHIBIT 2

#### Three dimensions of performance



Suppose, for example, the team believes that it must build trust among its members. It rarely helps to have self-conscious discussions or “sharing” exercises about keeping or breaching trust, an approach that may actually be quite destructive. But by working together to sharpen the sense of strategic direction—and in this way experiencing successful interactions—the team can indirectly, but often dramatically, improve its effectiveness and thus the feeling of trust among its members. In effect, the team exploits its strong reasoning abilities to build trust.

## Identifying real problems

Tolstoy wrote, “Happy families are all alike; every unhappy family is unhappy in its own way.” The same can be said of underperforming teams. Nonetheless, there are typical warning signs in each of the three dimensions of team performance.

### Confused direction

Many CEOs assume that they and their top teams share a common understanding of corporate goals and values. Formal descriptions of roles, expected conduct, and corporate strategies and plans all reinforce this assumption, but several realities undermine it.

**Lack of alignment.** Executives may nod their heads when the CEO propounds a vision, but the team often lacks a shared view of how to implement it. At one well-known energy company, the five executives of a top team were asked to list the company’s 10 highest priorities. Alarming, they listed a total of 23 priorities; only 2 appeared on every executive’s list and only 7 on the lists of more than three members; indeed 13 of the 23 priorities appeared on only one list. In other cases, the team doesn’t agree about how performance should be assessed, who the company’s top performers are, or how to motivate the organization to achieve its stated objectives.



**Lack of deep understanding.** In some cases, the top team agrees on plans, but subsequent actions are inconsistent with its decisions. This problem reflects the tendency of top teams to focus on making decisions without examining the assumptions, the criteria, and the rationales behind them.

**Lack of strategic focus.** Top teams without a common direction spend more time on business as usual and on “fire fighting” than on seeking out and doing the work only they can do—work that is important to the organiza-

tion and gives the team as a whole an opportunity to add value. A focused team concentrates on developing talent within the organization and on driving major growth initiatives; an unfocused team second-guesses line-management decisions, reruns analyses, and immerses itself in detail. Half of the executives we interviewed believed that they failed to add value in much of their work.

### Ineffective interaction

Many management teams pay lip service to the importance of interaction but foster a working style that inhibits candid communication and collaboration.

**Poor dialogue.** Although the members of a team may spend much time talking to one another, they can often fail to communicate, by withholding vital information, suppressing critical opinions, or accepting questionable strategies out of fear of retaliation. These games lead not only to frustration but also to hidden agendas—problems that may stem from mistrust if individual team members don't know one another or organizational units have a history of conflict. According to 65 percent of the respondents in our top-team database, trust was a real issue for their teams.

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**Dysfunctional behavior.** Often the most serious result of poor dialogue is an inability to capitalize on diverse viewpoints and backgrounds, thus reducing the team's ability to work creatively and adapt to changes in the market. And like any group of people, top teams can fall into destructive practices—for instance, the public humiliation of team members. Such behavior understandably creates fear and defensiveness and can intensify problems by isolating and scapegoating individual team members. Because the top team's conduct is mimicked lower down in the organization, this kind of behavior can come to pervade it.

### An inability to renew

Although many top teams recognize the importance of organizational renewal, few of them institute processes that revitalize effort and commitment. Three problems can make it hard for members of a team to step back and honestly assess their own performance. These problems often have their origin in the team members' experience as middle managers. Most executives have climbed functional silos and are accustomed to defending their organizational turf. It is often difficult for such people to make the leap to broad

strategic issues that have a bottom-line impact. Frequently, executives also can't adapt their leadership style to life at the top, where interactions tend to be shorter, more frequent, less prepared, and aimed at a wider and more diverse audience.

**Personal dissatisfaction.** Many team members, despite their apparently successful careers and enviable positions, have become frustrated or insufficiently challenged by their work. A quarter of our respondents said that their

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jobs didn't stretch them. Collectively and individually, team members ignore new sources of insight, information, and experience that could push them out of their comfort zone. The teams we have observed engaging in destructive politics usually discourage their members from

assuming new roles or taking risks. As a result, these executives ultimately become bored, and their performance declines; hence, the typical CEO complaint that once-solid team members no longer energize others or adapt to changing needs.

**Insularity.** Top teams rarely pay enough attention to information from outside their companies or industries—information that, digested quickly, could influence key strategic and organizational decisions. In addition, top teams seldom make the time to reflect on the information they do receive and to assess its future impact. Lacking structured processes to receive and reflect upon information from external sources, most teams don't find the time to generate a real strategic focus.

**Deficient individual skills.** Most companies give the members of their top teams little mentoring or coaching about how to effect change. Unlike middle managers, who frequently get broad training and coaching, senior managers usually work without a safety net and, frequently, without a second chance. Among the executives we surveyed, 80 percent believed that they had the necessary skills to fulfill their role, but only 30 percent believed that all of their colleagues did.

## Becoming a top team

How can a company set about improving the performance of its top team? Our research points to some useful strategies for promoting effective action, reflection, and cohesion.

## How it works

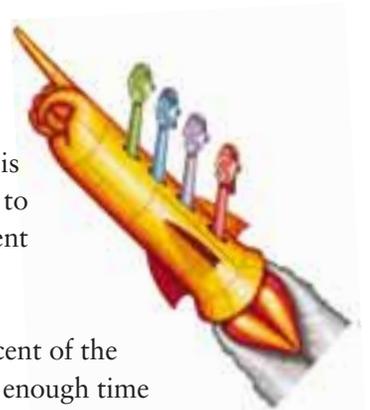
Many behavioral team-improvement efforts fail because they don't speak to the needs of top managers: programmed exercises, for instance, seem artificial. Our work with top teams suggests four ways to build their performance by replicating the way senior executives actually work together (*see* sidebar, "A case study," on the next page).

**1. Address a number of initiatives concurrently.** The top team must focus on the most pressing issues—work that only it can do. Achieving tangible outcomes in a variety of management challenges is essential. The activities most likely to foster team action and reflection include framing strategy, managing performance, managing stakeholders, and reviewing top talent. The team really needs to do these things whether or not its members are attempting to improve their own performance as a team. The action element of the cycle improves the direction of the organization and its ability to renew itself, while reflection makes it possible for teams to discover ways of improving their interaction.

**2. Channel the team's discontent.** Only 20 percent of the executives we surveyed thought their team was a high-performing one. Successful teams invite external challenges, focus on competitive threats, and judge themselves by best practice, since comparisons with industry leaders or key competitors raise the quality of debate by putting facts on the table.

**3. Minimize outside intrusions.** It is hard for a team to execute an improvement process by itself; some form of facilitation is usually required.

Consultants or coaches should observe top teams at work rather than lead meetings or presentations. They should never try to direct the team's work. Finally, they should ensure that real work dominates the improvement process. Teams must discover what is effective for them. Merely telling a team the solution to its problems reinforces the poor quality of its alignment and interaction.



**4. Encourage inquiry and reflection.** More than 80 percent of the executives we surveyed said that they didn't set aside enough time for analyzing the root causes of problems. These executives believe that instead of developing rules of thumb slowly and subconsciously, they should use their business experience to draw lessons. Most senior business executives took a decade or more to develop their business judgment, but with the

tenure of CEOs becoming shorter as investors' expectations rise, most top teams just cannot wait years to improve their performance. Facilitating team cycles of action and reflection—accelerating the pace of change and making the process of discovery explicit—can have a significant effect in as quickly as three months.

### What it looks like

On the face of it, a top team going through the performance improvement process resembles any other top team at work. As usual, CEOs and senior executives address a number of strands of business, but they focus on major

## A case study

Creating a new organizational structure does little to improve a company's performance if the top team can't work together effectively. One dysfunctional top team ran a fast-growing UK industrial company trying to launch a new growth strategy. The company replaced its centralized functional silos with semi-autonomous business units led by a smaller top team. At first, the new organization seemed to be taking shape, but months after its formation the CEO saw that the senior team was struggling to manage the performance of the company's business units, to respond to crises, and to develop a corporate strategy. He feared that the team's lackluster performance would hold back the rest of the organization. A quick survey of managers a level below the top team confirmed his fears: the top team, it appeared, was "running behind," "stuck in old behavior," and "generally not very helpful."

How could the performance of the senior team be improved quickly without reverting to the command-and-control system? The CEO felt that the team was missing important opportunities to

expand the business while focusing on trivial issues. Further, he wondered why only half of the team participated in debate and whether the others had no opinion or were simply afraid to argue their own points of view.

After reviewing the feedback from the leaders of business units, the top team began the process of improvement by acknowledging that it needed to change its approach, and quickly. As a next step, the members of the team identified their top ten priorities—and discovered a range of conflicting views. The team tried to sort these priorities and to define a common strategy. Meanwhile, a facilitator observed the team at work and later interviewed its members at length. Thus, their poor interaction was added to the range of issues under consideration.

The team committed itself to monthly one-day sessions focusing on major strategic issues, and the facilitator tracked its progress on interaction. These sessions addressed a series of topics—talent, strategy, performance, growth—that

strategic issues and work together as colleagues rather than delegate tasks to staffers, consultants, or individual team members. At a minimum, the entire top team should spend one day each month together, without staffers, doing real work as a team. Subgroups of two or three members should work together a couple of times a week on every issue the team is addressing and should probably spend some time with a facilitator as well.

Teams rarely manage to improve their performance wholly outside their active working environment, so short-term workshops, no matter how attractive the setting or how heart-felt and candid the members' exchanges may be, aren't likely to change their mode of working. Structured self-discovery

stretched the team's thinking and opened new opportunities for the company. Between sessions, subgroups of two or three members worked on issues for the full team to debate and resolve.

Over a three-month period, there was an improvement in all three dimensions of team performance:

### **1. A common direction**

The team members were much more explicit about their individual and collective roles, including responsibilities and behavior. They also reached consensus on a number of business fundamentals: strategy, performance, people, and organization. As a result, the top team now plays a much more active role in leading the corporate strategy.

### **2. More effective interaction**

The quality of the team's debate and decision making rose dramatically. Individual members of the team could take risks with one another, exposing their previously hidden agendas and

making their dialogue more honest, because the level of trust had risen substantially. The result was wider participation, more constructive debate, greater excitement, and more creative output.

### **3. Active renewal processes**

To inject new ideas and fresh perspectives, the top team looked for outside sources of information and developed a variety of scenarios about its industry. It also increased its effectiveness through individual coaching of members as well as by recruiting a new member from outside the company.

"I can't imagine going back to the way we were before," the CEO said. "Not just the old structure but the old way of working. Our modus operandi is just fundamentally different. Almost everyone participates; the atmosphere is more relaxed yet at the same time more openly challenging. I especially appreciate the value of our reflective working sessions, which give us a chance to step back and make sure we are not missing the big picture."

and reflection must be combined with decision making and action in the real world; the constant interplay among these elements over time is what creates lasting change.

### Why it works

Teamwork is a pragmatic enterprise that grows from tangible achievements. The action-reflection cycle—supported by improved direction, interaction, and renewal—complements the work style of most senior teams. First, this approach pushes them to address their own performance just as directly and forcefully as they would address other business performance issues. By doing real work on important problems and applying business judgment to reflect

on that work, top teams jump-start their performance and satisfy their need for visible progress.

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By doing real work on important problems, top teams jump-start their performance as well as satisfy their need for **visible progress**

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Second, taking an oblique approach to sensitive performance issues allows top teams to address their behavior after the event, without

personal confrontations. Team members discover that alternative points of view are valid, that the CEO doesn't have all the ideas the company needs for success, and that the team can be both challenging and supportive at the same time. This paradoxical combination—the indirect assessment of team behavior through direct work on critical issues—allows top teams to manage their own performance. Before investing time and resources in programs to build the top team, leaders should ensure that such efforts deal with its real work.

Teams must assess their own performance regularly and honestly. Every senior team should also dedicate several working sessions a year to issues—such as technology, changing demographics, political and environmental pressures, and emerging themes from management literature—that have little bearing on the next quarter but could reshape the enterprise and the team itself during the next five years. Teams should also explore unexpected successes and interesting failures inside and outside their organizations. They ought to travel, both physically and intellectually, outside their own regions and industries to companies that have tackled challenges similar to their own.

In doing all this, teams should pay attention to the consistency of their leadership, the quality of their interaction, and their opportunities for renewal.

They must also build into their work processes ample time to reflect on the deeper causes of problems, on the areas where they can add the most value as a team, and on the quality of their past decisions. It is the process of discovering the best way for the members of the team to work together that ensures the absorption of basic behavioral lessons.

The prize for building effective top teams is clear: they develop better strategies, perform more consistently, and increase the confidence of stakeholders. They get positive results—and make the work itself a more positive experience both for the team's members and for the people they lead. 

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In working with top teams, the authors have applied the direction-interaction-renewal framework originally developed in the trailblazing work of Michael Jung and other McKinsey colleagues in the leadership and organization practice. The authors gratefully acknowledge their contributions.

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