

RESEARCH STUDY

# Senior Team Effectiveness: C-Suite Solidarity

How to Improve Bottom-Line Results by Developing Superior Executive Teams

WHAT WE THINK

## It is understood that the CEO and the board of directors of an organization exert a strong influence on its success or failure.

What may not be so apparent is the considerable effect generated by the next level down in the pyramid of power—the CEO’s senior executive team.

In today’s star-struck world, it is the CEO who usually stands in front of the curtain and takes the bows (or brickbats). However, more and more stakeholders, including investors, are pushing for a peek behind the scenes to determine if the rest of the C-suite has what it takes. Headlines in the news show the conflicting sentiments of shareholders and analysts on the game of senior-executive musical chairs.

The concern of shareholders is not without merit. Empirical research offers evidence that connects organizational performance with strong senior executive teams. Yet exactly what aspect of high-performing senior teams exerts a positive influence on organizational performance remains less clear. With over seven decades of experience working in the field at the C-suite level and a history of creating stronger, more aligned, and more effective executive-management teams, RHR International decided to conduct its own research.

### About This Research

Using our Senior Team Effectiveness Survey, we collected data from 200 senior team<sup>1</sup> members predominantly

from companies with annual revenues of \$2 billion or more.

Based on analyses of the survey data, our findings support the link between performance of the senior team and organizational excellence. Moreover, RHR isolated six Key Success Factors that clearly differentiate an Aligned Superior Senior Executive Team (ASSET) from lower-performing teams (LPTs). Companies that take action on decisions made by the CEO alone (or in conjunction with an inner circle within the C-suite) often lack some or all of these critical elements that we have determined can be used as significant predictors of organizational performance.

The following pages provide a deeper look into the RHR International Senior Team Effectiveness Survey and our findings.

### What We Know About Senior Teams

#### Benefits and Challenges

A group of executives gathered around a board table is not necessarily a true top team, no matter how senior their

positions. Too often we have seen teams spin their wheels in discussions on topics that have no business being on the table. To design a meaningful body empowered to make enterprise-level strategic decisions takes careful planning, intentionality, and a keen understanding of focus, momentum, and the decision-making process.

### The Goal

- A cohesive group focused on achieving team performance
- A team with defined goals and understanding of purpose
- Strong alignment with the CEO’s agenda
- A transparent decision-making process
- Maximized use of time and talent
- A high-performing team that impacts business performance

### The Challenges

What keeps organizations from achieving these outcomes? Our experience and research show that the most significant challenges encountered by senior teams are

<sup>1</sup>Executive teams and teams leading business units or functions.

“The board’s view of the CEO role has changed. Directors today look to their CEOs to build and maintain effective, aligned, and flexible management teams. What they don’t believe in is the lone-wolf model of CEO.”

ORLA LEONARD,

Partner, Practice Leader—Senior Team Effectiveness

often associated with the real work of the unit—those things that only the senior team can do and that drive (or can impede) performance throughout the organization. These areas include the following:

- Vague purpose
- Competing agendas
- Wrong issues, wrong level
- Uninspired engagement

Further complicating the matter is that senior teams and their leaders often misdiagnose dysfunctional behaviors. For example, members may complain that:

- The relationship or interactions feel bad
- Conflict is not dealt with directly (members go underground or perform end runs to CEO)
- Individuals withhold information, even when vital for an enterprise-wide perspective
- Decision making is too inclusive or too exclusive

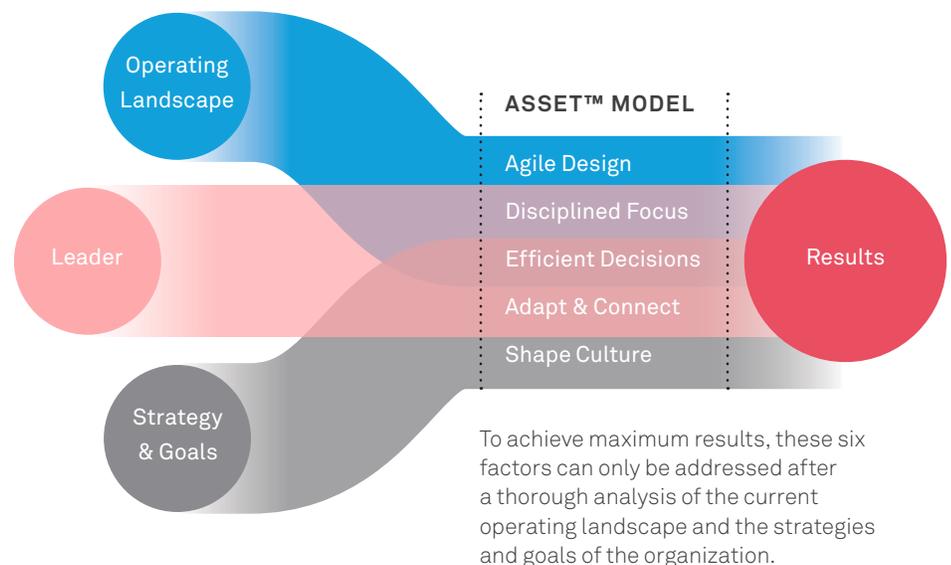
These kinds of symptoms cause leaders to call for help because they think the problem is one of team dynamics: how people get along with each other. In reality, most of these problems stem from a lack of clarity and focus.

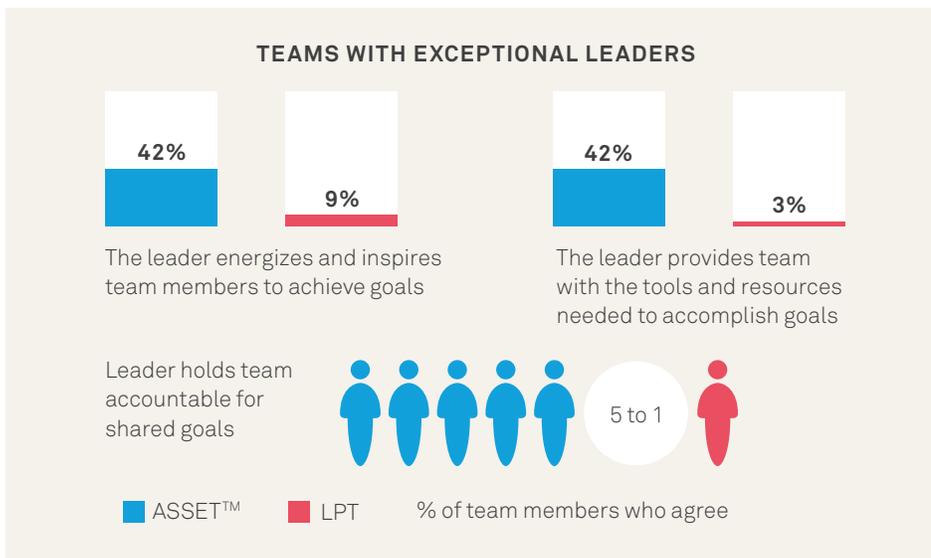
## What We Know About Great Senior Teams

### Key Success Factors

How can organizations overcome the challenges to success and develop their C-suite teams so that they become an ASSET? RHR International’s legacy of research and decades of experience with senior teams have identified six key success factors that, if attended to, can significantly impact organizational performance. Findings based on RHR’s Senior Team Effectiveness Survey confirm that these factors can be readily measured and clearly differentiate an ASSET from LPTs:

1. A leader who engages and inspires
2. An agile design, with the right members in the right roles
3. Disciplined focus on the most important enterprise issues
4. Efficient decision making that balances speed and quality
5. Twin goals of driving innovation (adapt) while leveraging core capabilities (connect)
6. A positive company culture shaped by team members’ behaviors





### Success Factor #1: Engaged Leadership

As compared to leaders of LPTs an ASSET is significantly more likely to have a leader who excels at engaging the team and inspiring action. These leaders demonstrate commitment to their teams by providing resources and removing barriers to team functioning. An ASSET is also five times more likely to have a leader who excels at holding members accountable for shared team goals.

#### Engaged leadership success strategies:

- Engage the team in defining its purpose. Don't simply mandate it.
- Inspire them by utilizing their diverse functional and business unit knowledge to shape the organization's direction.
- Create a consistent communication schedule with your team, individually and collectively, that keeps you connected and informed.

- Define your decision-making authority to create clarity and empowerment for your team.

### Success Factor #2: Agile Design

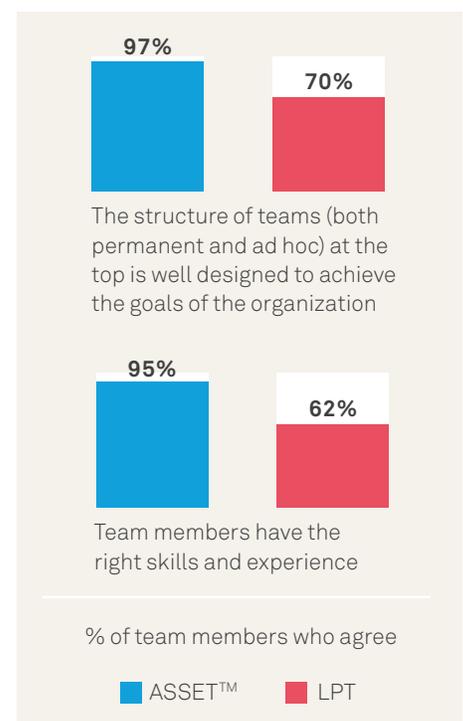
The best senior teams are masterfully designed to meet the strategic and operational needs of the organization. The most skilled leaders recognize the unique functions of the senior team that only it can accomplish and assemble them accordingly: set vision and strategy, allocate resources to enable the organization, ensure execution of plans, and engage and grow necessary talent.

However, high-performing teams are also designed for agility, expertly utilizing ad hoc groups for fact finding and solving cross-functional, enterprise-wide problems—thus achieving faster, more efficient execution. It is vital to promote clarity regarding roles and the lines of decision-making authority within and across the ASSET and

its temporary counterparts to avoid confusion and duplication of effort.

The leader also assumes much of the burden to define the boundaries of the team and pull together the elements that will make it operate smoothly and effectively. Only after a review of the organization's current strategy and operating environment can the leader select the team members based on the abilities and mix of talents required to execute the plan.

In our study, 97% of ASSET members indicated that their group was properly structured to achieve strategic goals versus only 70% of LPTs. Only 62% of LPTs said their members had the right skills and experience for successful implantation of organizational objectives compared with 95% of the ASSET members.



**Agile design success strategies:**

- ASSET decisions fall into three categories: strategic, operational, or advisory. Be clear with your team members regarding which role they are playing.
- Align team membership with the skills necessary to reach decisions, not by hierarchy.
- Clearly define the team’s tasks (e.g., create vision, set strategy, create and deliver the annual operating plan, etc.) and align meetings around them. Evaluate how effectively the team delivers.
- Clear decision-making protocols are the tools senior teams are missing most often. Invest time in agreeing on scope, execution, and follow-up.
- Prevent toxic team behaviors by setting clear standards that support collaboration. But remember, norms will quickly become ineffective if you, as the leader, do not live by them or enforce them.

**Success Factor #3: Disciplined Focus**

Most senior teams struggle with focusing on what is most important—for the enterprises, functions, and/or business units they lead—and for themselves as a team. Not only is it vital to maintain focus but also to stay at the right level. And we know that some of the best teams are better at this.

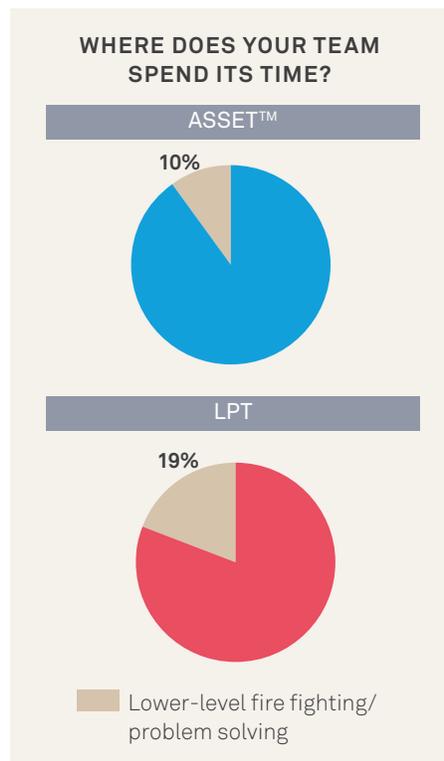
An ASSET also spends significantly less time in a reactive mode. For LPTs the amount of time spent on lower-level fire fighting and problem solving is almost double that of an ASSET.

**Disciplined focus success strategies:**

- Don’t delegate the agenda. The responsibility for team utilization rests solely with the leader.
- Ensure that the team has enough time to address all aspects of its charter. Flex the agenda and decision-making process to meet the various

structure and execution needs of multiple tasks.

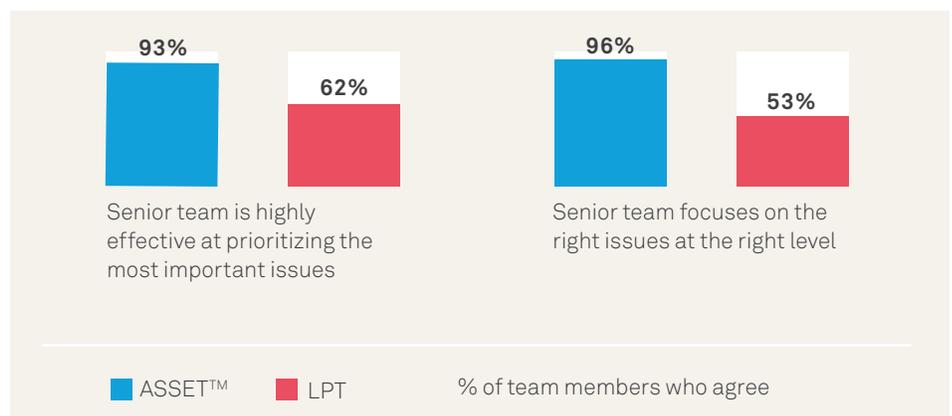
- Use a proven corporate calendar application to track planning and problem-solving space.
- Bridle yourself: Don’t use the team to satisfy random curiosity or fact finding. Delegate unsuitable agenda items to ad hoc teams or fact-finding committees.



**Success Factor #4: Efficient Decision Making**

Making high-quality decisions may be the most important thing that senior teams do, since these choices impact much of what gets attention, time, and money in the organization. The best performing teams not only make high-quality decisions, they do so with the right inputs, staying at the right level and balancing quality and speed to enable efficient action below them.

There is often a misconception among team members and leaders about the effectiveness of their decision making (thinking they are better than they really are). Another erroneous belief is that two (or three or 12) heads are always better than one. While it can be a good



thing to seek multiple perspectives before making a decision, a large group is more susceptible to many of the decision-dampening dangers that can expand exponentially with its numbers.

An ASSET is more effective at decision making, especially when there is an urgent need to take action. They spend time only on those decisions that they alone can make, get the right inputs from selected individuals and groups, and then quickly filter through and appropriately narrow their options.

High-performing teams have systems and processes set up in the organization to support decision making. As a result they are significantly more likely to have the data required for deliberation readily at hand. Our research shows that ASSET members have the necessary information available 87% of the time while LPTs were properly informed only 58% of the time. LPTs also waste

valuable time by making decisions at the proper level only 46% of the time.

#### Efficient decision-making

##### success strategies:

- Individuals make decisions, not teams. Track your process (exploring ideas/facts, narrowing options, making a call, or following up) and design individual and team interactions based on that knowledge. Inform others so they know what role they should be playing.
- Balance inclusion and exclusion in the process to keep your team on board and earn their respect. Create feedback processes that allow you as a leader to know where members stand in the ledger.
- Appraise your own decision-making style and communicate it to the team. Do you need to think out loud with others to clarify your ideas? Or do you prefer more

alone time first to crystallize your thinking? Your approach affects the kind of team you need and how decisions get made.

- Strictly enforce the key behavioral norms on the team: transparency, active sharing of information, and an “enterprise first” mindset. These will positively impact decision making at multiple levels.

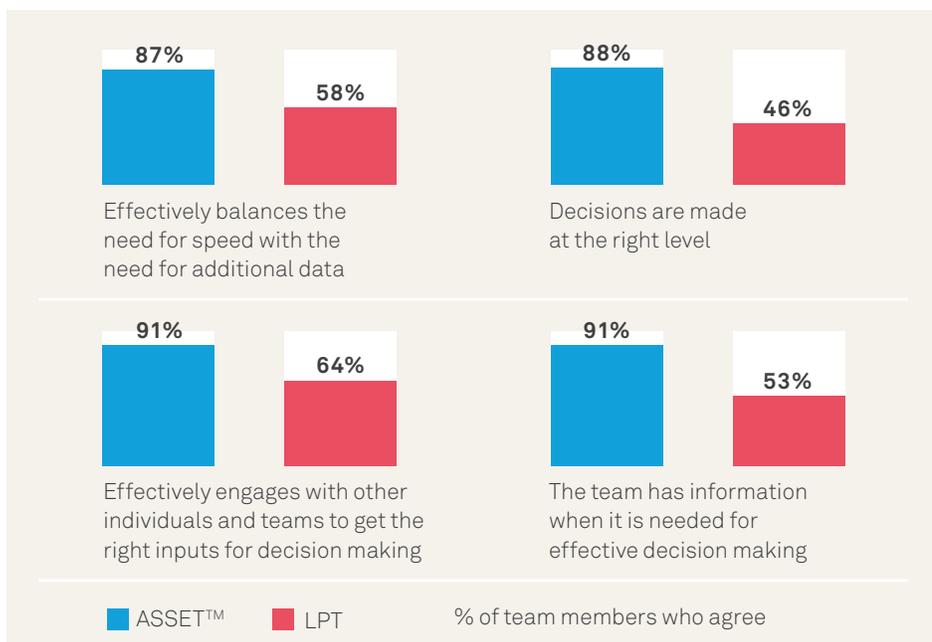
#### Success Factor #5: Connect and Adapt

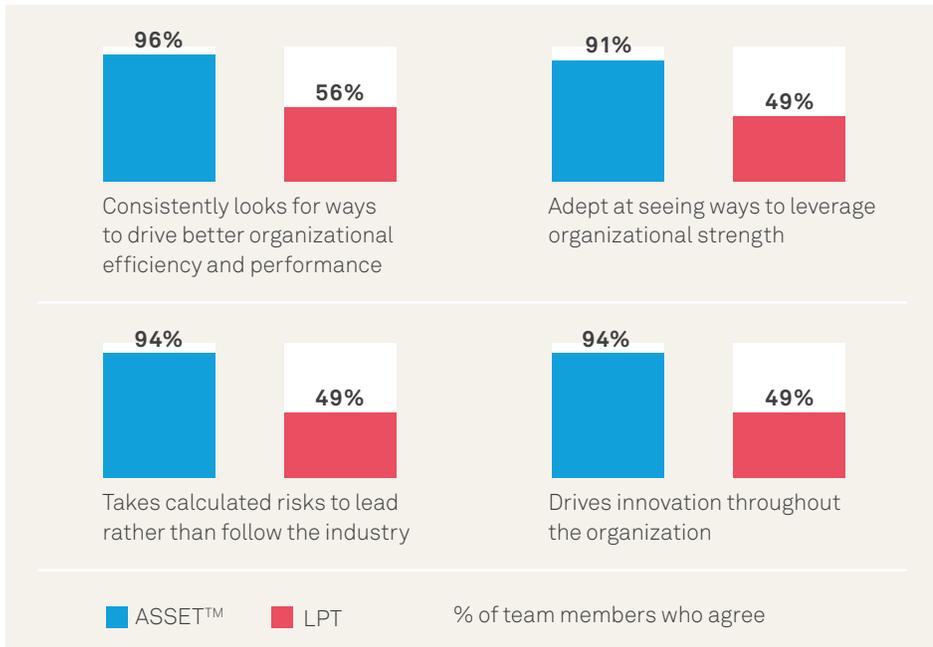
High-performing teams are not only disciplined in what they collectively focus on, they also adapt and adjust based on connectivity to the external environment and internal organizational needs. These teams balance the often contradictory demands of efficiently leveraging core capabilities with driving innovation that enables greater competitive positioning in the market.

An ASSET consistently looks for ways to drive better organizational efficiency and performance and is 45% more likely to take calculated risks to lead rather than follow the industry. Ninety-one percent of ASSET members are adept at creating ways to leverage operational strengths compared with 49% of the LPTs.

#### Connect and adapt success strategies:

- The rate of change is always accelerating. Create more flex in your current business and strategic-planning processes to allow for increased unpredictability in managing budgets, large projects, etc.
- Ensure your team members are connected to trends in the





external market and industry. Bring such exposure into the normal rhythms of the team's work.

- Define what innovation means for your company, business unit, or function. Find ways to enable it, culturally and through business processes. Keep it on the team's agenda until innovation is woven into the fabric of the culture.
- Create processes that connect the team to the organization by empowering levels below to identify, surface, and remove barriers to strategy execution.

### Success Factor #6: Shape Culture

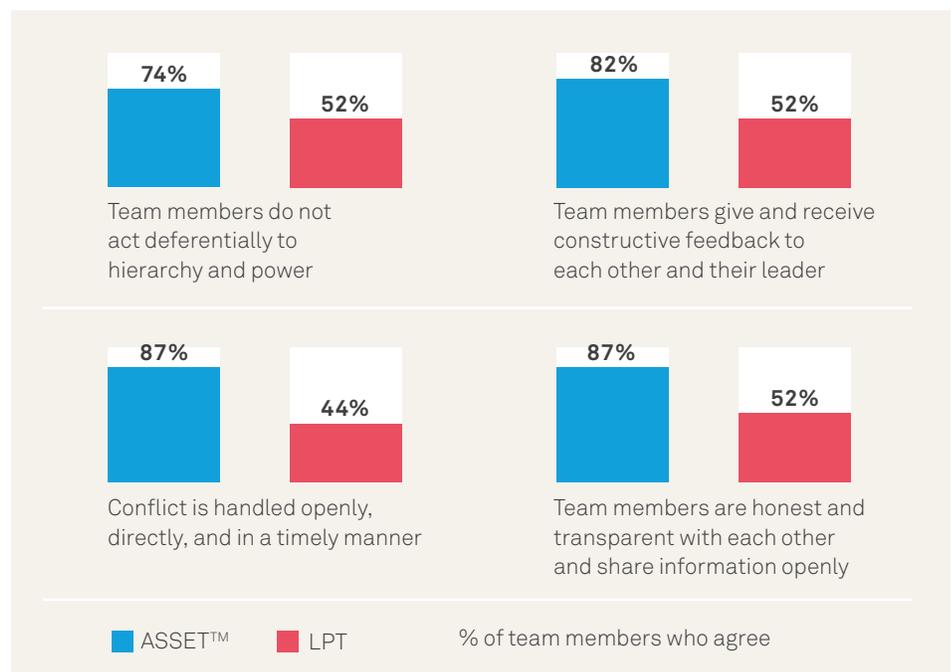
Leaders and members of LPTs often describe symptoms such as conflicting interpersonal styles, issues with trust, and other team dynamics. Senior teams as a rule, however, do not need to feel

good to perform well. That being said—behavior really does matter. While some behaviors are only important given the work of the team or its shared agenda, senior team members' values and behaviors shape those of the organization.

When candor, transparency, and trust are high on the top team, organizational levels below are more apt to collaborate unencumbered by unhealthy politics and bureaucracy that can paralyze execution.

Four examples of positive senior team member behaviors that sharply differentiate an ASSET from an LPT are:

1. Team members do not act deferentially to hierarchy and power
2. They give and receive constructive criticism to each other and their leader
3. Conflict is handled openly, directly, and in a timely manner
4. Members are honest and transparent with each other and share information openly



**Shape culture success strategies:**

- Define the behavioral and operating norms early in your team’s life. Engage all members in that process.
- Hold team members (and yourself) accountable to the norms. Failure to do so allows for free reign of unhealthy behaviors, especially around conflict resolution.
- Create mechanisms for upward feedback on senior team members’ behavior to ensure it aligns with the team norms and culture you want to create more broadly.
- Publicly celebrate those on the team who model the norms.



**THE ASSET LEADERSHIP DIFFERENCE**

An ASSET leader is significantly more effective than an LPT leader when it comes to:

- Giving team members the opportunity to shape the tone and direction of the team
- Energizing and inspiring team members to achieve goals
- Providing the team with the tools and resources needed to accomplish goals
- Helping identify and remove barriers to team productivity
- Recognizing and rewarding strong individual and team performance
- Holding team members accountable for shared team goals
- Coaching individual team members to help them develop and grow

**Getting Results**

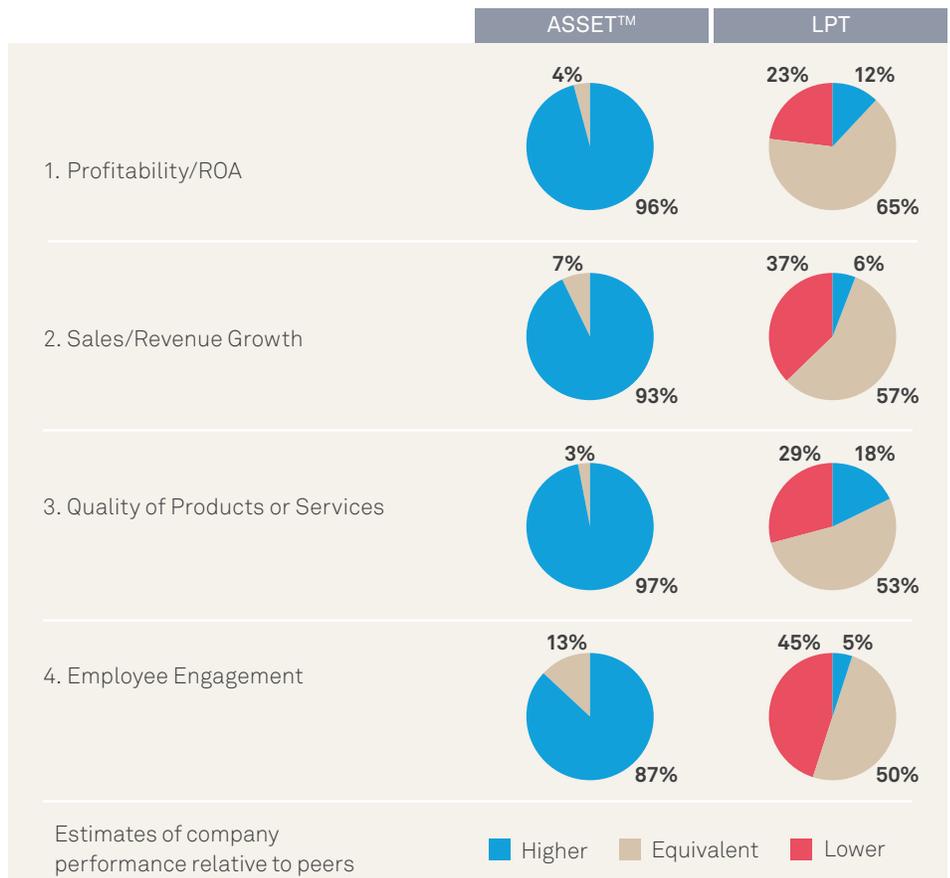
High-performing teams know who their relevant stakeholders are and how they will be evaluated by them. An ASSET then exceeds those expectations. Members and leaders alike are committed to the shared success of the team, contributing to the performance and well-being of the organization consistently over time.

**Summary**

Organizations that take the time and effort to make their senior executive teams into an ASSET by addressing the six key success factors identified by RHR International’s research studies perform better than their industry counterparts using a variety of measurement standards.

**Methodology**

Our current research was focused on understanding the senior team factors related to organizational performance,



and more specifically the team-level characteristics that differentiate high- versus low-performing senior teams. Data collection was completed in 2011 by Harris Interactive Services Bureau and consisted of two RHR International measures: The Senior Team Effectiveness Survey and an eight-item survey of organizational performance relative to industry peers. The final sample included individuals from 200 senior teams predominately from companies of \$2 billion in revenue and above. To identify top-performing teams, a composite organizational performance variable was created and used to indicate each team's overall level of company performance. Teams in the top third of company performance were designated as top-performing teams. Teams in the bottom third were designated as low-performing teams. For more information, please contact Dr. David Astorino, Practice Leader—Senior Team Effectiveness for RHR International at [dastorino@rhrinternational.com](mailto:dastorino@rhrinternational.com).

### Thought Leaders in Senior Team Effectiveness

Over 70 years of experience working with chief executives and senior level management have been distilled into

best practices that RHR consultants can draw from to provide practical interventions that will enhance the operational capacity of any senior team.

Great CEO performance is directly linked to great senior leadership team performance. That is why we start at the top in our Senior Team practice. We focus on understanding the CEO's vision, agenda, and leadership style—the unique DNA of each CEO—in order to begin the process of developing and strengthening team fit.

Working closely with the CEO, RHR integrates two other key elements of fit into the Senior Team model. One is business goals, which includes critical strategic drivers and must-win battles. The other is context, defined as threats and opportunities in the external environment.

RHR's Senior Team Effectiveness consultants work with the CEO and the group to help create an identity as a team, increase pace of change, and align performance with reward. We help drive the right behaviors by tracking metrics tailored to the organization and defined in terms of organizational, rather than individual, performance.

### ABOUT RHR INTERNATIONAL

RHR International LLP is a global firm of management psychologists and consultants who understand the distinctive challenges and pressures that CEOs and senior executives face. Its singular focus on senior leadership and research-based practice sets it apart from other executive and organizational development consultancies. For more than 70 years, RHR has been helping leaders and their teams transform themselves and, in turn, the performance of their organizations. RHR offers Board & CEO Services, Senior Team Effectiveness, Leading Transformational Change, Executive Development, and Executive Assessment.

RHR ([rhrinternational.com](http://rhrinternational.com)) works with companies across numerous industry sectors around the world. RHR offers consulting services as RHR International LLP in the United States and through its wholly owned subsidiaries and affiliates including Europe, North America, South America, Asia, and Australia.