



**THE CEO'S
MOST
IMPORTANT
ASSET:
THE
EXECUTIVE
TEAM**



A research-based blueprint for getting a firm's most important leaders to help solve an organization's most critical challenges.

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If you want to go fast, go alone. If you want to go far, go together.

African proverb

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Introduction

We live in an increasingly complex and interconnected world. Digitalization, increased globalization, and demographic shifts are radically reshaping the world of business. To survive, organizations are being forced to fundamentally change their business models, evolve their products and services, redefine the customer experience, and work more efficiently and effectively. The question on every CEO's mind is, "How can I make this transformation happen?"

The short answer is: with great difficulty. Transformations of this kind require alignment and agility throughout the organization, which is tricky to attain when things are continuously changing. What is more, the CEO will be expected to continue delivering stronger business outcomes, even when the transformation is in full flow. To make things even harder, CEOs are being afforded less and less time in which to pull off these critical course corrections: the median tenure for CEOs of S&P 500 companies is now only slightly longer than five years.

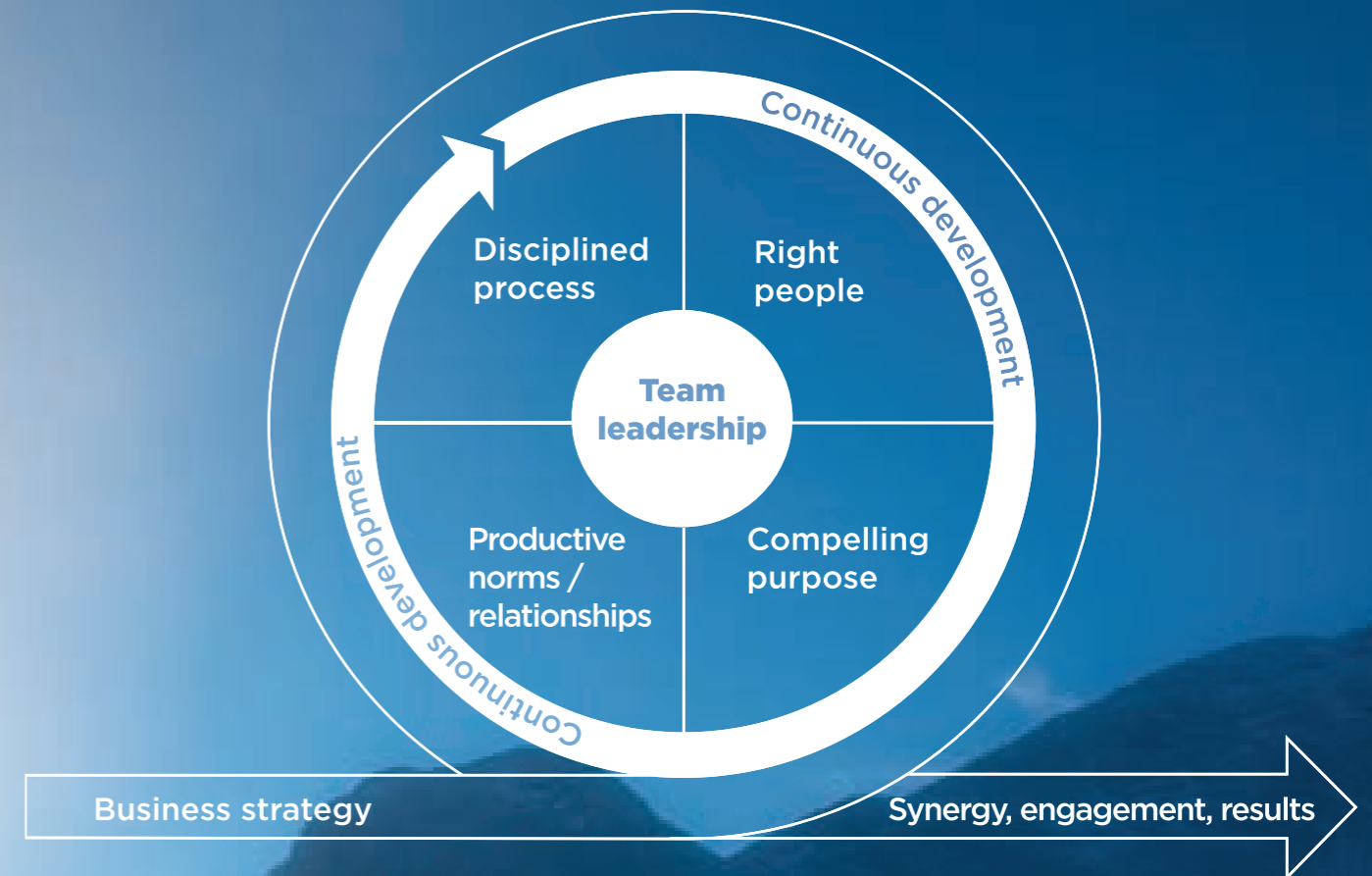
No CEO, no matter how talented, visionary and inspiring, can successfully plan and implement a new business model single-handed. Transformation on this scale is only achievable if CEOs are able to fully leverage the most powerful weapon they have at their disposal: the top team. A high-performing top team can advance the CEO's agenda more quickly and make the organization more nimble and responsive to market changes. Top teams are especially critical in the face of complex challenges or issues, using their combined experience and expertise to manage paradox, explore multiple alternatives and build a commitment to new strategic initiatives across the organization.

But while the corporate world may be full of highly successful individuals, successful executive leadership teams (what we call, "top teams") are surprisingly thin on the ground. In a recent Korn Ferry study, only 24% of top teams examined could be classified as "outstanding". Some of the tell-tale signs of underperformance include: lack of clarity on strategy, decisions being made but execution lagging, and team members spending more time sharing information than making decisions.

One reason for this underperformance is a lack of focus. CEOs rarely devote enough time to unleashing the experience and collective wisdom of their top team, partly because there are so many other demands on their attention and partly because individual leaders are easier to handle than a group of experienced executives who are not in the habit of keeping their opinions to themselves.

Six factors needed for a high-performing top team

Korn Ferry has formulated a model for top team performance that draws on research undertaken while working with hundreds of senior executive teams around the globe. The Korn Ferry Top Team Performance model identifies six essential factors that lead to high-performing top teams.



Team leadership

Ambition and sustained commitment to creating conditions to deliver optimal team performance.

Right people

The right mix of knowledge, skills, and expertise needed to accomplish the work of the team.

Productive norms / relationships

Clear standards of behaviour that foster trust and productive relationships.

Compelling purpose

Clear focus and shared ambition that inform the work of the team.

Disciplined process

Operating practices and processes that enable the team's performance.

Continuous development

Relentless focus on team's collective ability to adapt and improve its own performance.

1. Team leadership.

The first, and perhaps most critical factor of high-performing top teams, is high-quality leadership from the CEO. Unfortunately, top team leadership is rarely high on the agenda: while CEOs will typically ensure they are immensely prepared for their analyst calls, board meetings, investor roadshows, key customer meetings and company town halls, they will often give little forethought or attention to interactions with their top team.

The good news is that this all-important factor—team leadership—is completely within the CEO's control. By changing their focus, and taking full command of the top team, they can start delivering improved results today.

2. A clear and compelling purpose for the top team.

CEOs often spend considerable time—and money—conceptualizing the purpose of the firm. But Korn Ferry has found they spend almost no time determining the purpose of their top team. Unless the CEO asks what unique value the team can bring to the execution of the company's strategy, it risks descending into a group of highly compensated operating leaders and not in fact being a true top team at all.

A high-performing top team, by contrast, will have a clear and compelling purpose that the team can accomplish only by working interdependently to debate decisions holistically and balance current operational demands against future needs. The purpose needs to be one that each individual executive can clearly envision and understand, and that is tough but not impossible to achieve. The purpose must also be consequential, having an important impact on the success of the organization and on the lives and work of others.

Responsibility for setting the parameters of their team's purpose sits squarely with the CEO. In our years of experience working with hundreds of top teams, we have yet to encounter one that has achieved outstanding levels of performance when the purpose has been set collectively.



3. The right people.

Who should you have on your top team? In many organizations, the simple answer to this question is: fewer people than you have now. CEOs often assume their top team should include every single person who is a direct report, or that every part of the organization should be represented. While such assumptions may be well-intentioned, the result is usually too many executives spoiling the broth. Smaller teams, ideally consisting of nine people or less, are easier to manage and more effective at decision-making.

Given the limited number of seats available, it is even more essential that the CEO gets the right people on their team and leaves the wrong ones off it. This means choosing people who can take an enterprise perspective and who are willing and able to put things on the table that impact the entire business—people who can hear others' concerns and have the integrity to stand by decisions that the team makes.

CEOs should not expect relations in a top team to be always friendly and harmonious. At times, discussion will be robust, passionate, and even heated on the important issues affecting an organizational transformation. It is essential, however, that these discussions do not include personal attacks. It is also important to ensure that derailleurs—those who bring out the worst in others—are left off (or dropped from) the team.

It is ultimately the CEO's responsibility to identify the key skills and collaborative capabilities needed for the top team, and then to onboard the right members accordingly. It is also the responsibility of the CEO to have hard conversations with those people who will not be invited to join the team – or who will be asked to leave it.

4. Disciplined processes.

CEOs often underestimate how much having disciplined processes can help or hinder the top team. In part, this is about providing a framework for team members to follow, whether they are operating as a unit or working one-on-one. Installing and refining a laid-out procedure, which clearly addresses issues (such as how decisions are made or how team members are expected to work together) will significantly improve the team's ability to deliver on its purpose.

At the same time, it is important for CEOs themselves to be disciplined about the elements of the process they are responsible for. Take agenda management. Some CEOs may be tempted to save time by delegating this task to an administrative assistant or another member of the top team. In so doing, however, they are relinquishing control of their leadership agenda, which ultimately undermines the effectiveness of the team. Another common mistake is for CEOs to share meeting pre-reads too late, meaning that team members cannot prepare for a robust discussion on agenda topics. Again, this simple failure in process can seriously hinder the top team's performance.

Executive compensation is another process-related element that can have a significant impact on the team. While compensation does not have the power to bring a team together, an ill-considered one may break a team apart by fostering feelings of unfairness or lack of trust. Consider a company that bases the annual bonuses for its heads of strategic business units on sales and profits while the bonuses of functional heads are based on the successful implementation of division-wide initiatives. Clearly, the way these executives are being compensated is in conflict. CEOs need to pay attention to the entire reward package of their top team.



5. Norms for productive relationships.

Individual team members do not have to like each other for a team to be perfectly aligned. What is essential, however, is that the CEO sets norms for behavior and expressly explains how team members should engage with each other, whether working as a group or one to one. This includes laying out what must always be done—and what must never be done.

By instilling disciplined processes and productive norms for the top team, CEOs can ensure meetings are focused, purposeful, and effective. In fact, our research shows that norms are the second biggest differentiator for top team performance, with outstanding teams having clear rules of engagement for how the members deal with each other inside and outside of meetings.

Of course, norms will always exist whether or not the CEO addresses them. When they are not articulated explicitly, they consist, instead, of whatever patterns of behavior the CEO appears to accept. The danger is that these behaviors do not always support the team's purpose or the agenda of the CEO. By failing to articulate norms, CEOs also miss an opportunity to define what it means to be a senior executive at the highest level of the company and the behavior expected from those in that role.

6. Continuous development.

Optimum performance does not happen by default. Top teams take time to evolve and mature, as individual team members learn to work together effectively, and without continuous development, even the best teams can become stuck.

When progress is lacking, CEOs may try to solve the issue by providing executive coaching for individual team members. This, however, is unlikely to have the desired effect. Our research shows that, while providing individual executives with their own coaches can improve their leadership skills, it will do nothing for the performance of the team as a unit. For a team to improve, it has to be coached as an entity and in real time. The focus of the coaching needs to be on the dynamics and patterns of interaction within the team that help or hinder the team from doing its work, as well as on the six factors outlined in this paper. By focusing on these patterns and the factors that are holding the team back, a CEO can significantly accelerate the performance of the team.

Conclusion

In the face of rapid digitization, political upheavals, ageing demographics, and other megatrends, CEOs need to make radical changes to their organizations. No longer are brand extensions, staff reductions, geographic expansions, or bolt-on acquisitions enough. The world's savviest corporate leaders are looking at today's societal trends and overhauling their firms' business models in an effort to compete. But they cannot succeed alone—they need a cohesive, aligned team.

The challenges of leading a team of leaders can be daunting. Optimum performance is achievable, however, if CEOs keep Korn Ferry's six essential factors in mind:

- Have a well-defined team purpose and accountabilities to keep the team members on track.
- Ensure the right people, with the right skills are in place to deliver that purpose.
- Establish disciplined processes that aid the team in its work.
- Articulate an agreed set of norms that guide the team's behaviors in and out of meetings.
- Provide continuous development of the team's collective capabilities to meet evolving business requirements.
- Take accountability and lead the team effectively.

By focusing on developing these six factors, a CEO can accelerate performance and drive the business transformation that his or her organization needs to undergo.



About Korn Ferry

Korn Ferry is a global organisational consulting firm. We help companies design their organisation—the structure, the roles, and responsibilities, as well as how they compensate, develop, and motivate their people. As importantly, we help organisations select and hire the talent they need to execute their strategy. Our approximately 7,000 colleagues serve clients in more than 50 countries.