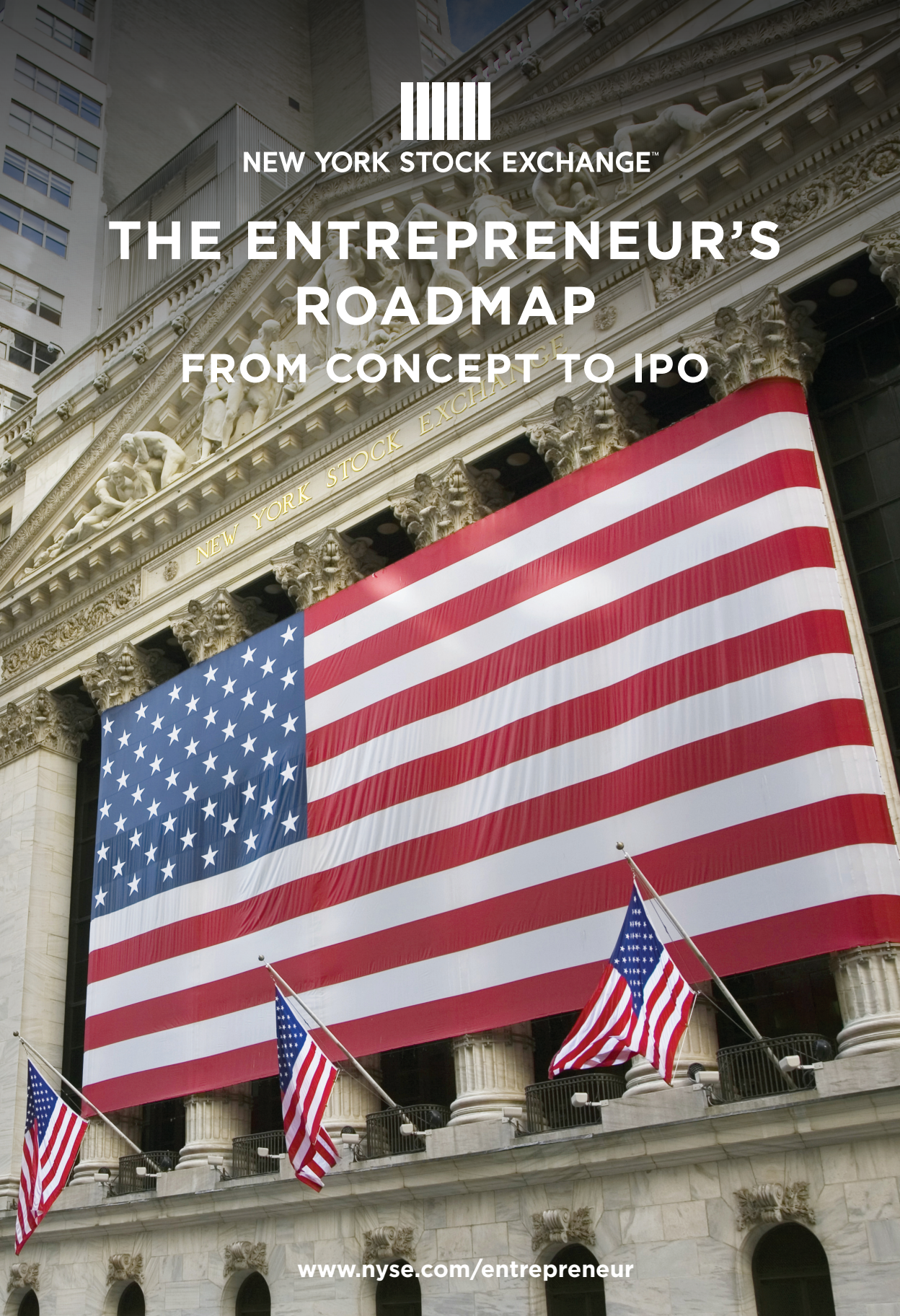




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CREATING YOUR DREAM TEAM

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Who's on your team? For CEOs, it's one of the most important questions to consider. The strength of the team determines how well the organization can respond decisively and swiftly to opportunities as well as to challenges. It's the team's responsibility to help the CEO formulate and execute a coherent strategy to achieve the company's objectives. But not all teams are created equal. In our study of the effectiveness of leadership teams, we found that only 25 percent were outstanding, as determined by their ability to serve all their constituencies superbly, while growing in capabilities as a team over time. The remaining 75 percent rated only mediocre to poor.

While our research focused on well-established companies, the findings and lessons learned are highly applicable for startups and other new companies. For these organizations, creating a real team—beyond the core nucleus of the founder(s)—is key to future success. In this chapter, we will discuss the highlights that can help startup companies establish great teams and foster their success over time. We will draw from the lessons and examples of the outstanding teams—what do they have going for them; and examine the struggling ones—what got in their way.

Before launching into the structure and elements necessary for creating a top team, it's helpful to look at some of the common themes among organizational success stories. One is getting individual team members to move out of their silos and to function as an interdependent team. These teams are able to advance the leader's agenda quickly and switch gears when market changes require it. As one CEO noted, his team traditionally had worked very independently. However, the leader recognized that if they had continued in that vein, the company could not have accomplished a turnaround that led to significantly increased revenues, which was due in part to capitalizing on more opportunities once products and services were combined. In effect this transformed the company from a product and services company to a solutions company whose offerings commanded a premium price.

For all companies—large and small, startup and mature—collaboration within the top team is a necessity, not a luxury. “The world is too complex today,” said one executive. “Executive teams, especially in global companies, can't afford to allow a silo mentality. To think a company can achieve its objectives with individual team members acting in isolation is naïve.”

Even within startups, in which teams are lean, people can become territorial. Therefore, it's imperative for teams to strike the right balance to achieve interdependence as they work together toward a common purpose. There are individual leadership roles, but accountability is shared in the work they do together as a team. Interdependence can be compromised when teams get too big. While that may not be a problem for startups at first, it is a lesson to learn early and remember as the company grows.

Creating effective teams is neither instant nor easy. It takes time and hard work, and most important, the leader's full commitment. For startups that are investing so much time and energy in the priorities of early-stage development—meeting and courting investors, product development/improvement, acquiring customers, expanding into new markets, and so forth—putting adequate focus on creating a dream team can be a challenge. But even amidst these challenges, startups can create and sustain highly effective executive teams.

Our research shows there are five conditions that promote top-team success: Direction, Structure, People, Support, and Development. By addressing each component that distinguishes top teams, startups will be on their way to ensuring they have the leadership team talent necessary to support their current and future success.

DIRECTION—CLEAR AND COMPELLING

A competent leader typically is able to communicate a clear, compelling mission and get employees to buy into the company's goals. But when it comes to leading their *executive teams*, many of these same leaders assume there is no need to provide direction. In fact, one leader was taken aback when asked if all his team members could identify the team's purpose. "Of course they can," the leader said. "These are smart people. I don't want to insult their intelligence." That attitude, unfortunately, is widespread.

The challenge for leaders is identifying the unique added value that his or her leadership

team brings in advancing the company's strategy. Among outstanding teams, the leader has answered this question. Clarity is paramount. Where clarity does not exist, a leadership vacuum is created. Then, one of two things happens: members rush to fill the vacuum by advocating priorities and goals that benefit their agenda, or members see the team (and leader) as ineffective and set out on their own path. When there is no unifying team purpose, irresolvable conflicts can erupt. Ultimately, the top team can self-destruct, often with considerable collateral damage, including personality clashes and deep cynicism about the value of teams.

As leaders discover, even high-level people who are leaders themselves really want leadership to guide them. They need a framework of ground rules in which to operate and clarity that promotes common purpose.

STRUCTURE—APPROPRIATE AND SUPPORTIVE

With direction firmly established, the CEO who hopes to create a successful team must also put in place an appropriate structure for the team. To do so, the CEO must set team size and boundaries, establish its procedures, and spell out the norms of conduct for the team to follow.

A successful decision-making team is normally composed of no more than six to nine members. More members than that often means more competing interests, more personality clashes, and greater risk that competing factions will form. While this problem is likely more common among well-established companies, it's worth addressing in startups (if for nothing else than as a cautionary tale for the future). Teams can grow too large when the CEO and other top executives include too many people on the leadership team. They are fearful of leaving star individual players off the team or offending others who are valued players within the organization. For example, some leaders believe all their direct reports need to be on the leadership team—an assumption that does not serve them well. The

best leaders understand that they need to have a comprehensive view of the enterprise, and this can be achieved without having a representative from each component of the organization on their team.

The appropriate question is which individuals bring the expertise to contribute to the team's purpose? Anyone who lacks the expertise or the ability to work should not be on the team.

As part of structure, CEOs also must periodically review procedures followed by their executive teams and continually ask whether the procedures impede or advance the team's efforts. For example, one executive team began its meetings with tactical items and ended with strategic ones. It was no surprise that meetings often got bogged down on the early items, while making decisions that advance the strategy—the team's real purpose—almost always got short shrift. When the leader recognized the unintended consequence of following this particular procedure, it was changed immediately.

In addition, leaders must address norms—the ground rules for determining what is acceptable behavior by team members both inside and outside of meetings. Too often, establishing norms is overlooked. Typically, norms speak to expected meeting behavior, i.e., not doing emails during the meeting. However, norms in outstanding teams also address how members are expected to carry out their role as one of the company's most senior leaders. For example, such teams often make it explicit that it is not acceptable for a team member to publicly criticize another member.

One word of advice: CEOs should never assume that just because the team is composed of bright, successful individuals, there is no need to establish clear norms. Research suggests the opposite is actually true: Because top teams are composed of strong personalities, clear norms are even more important—and only the leader can establish the norms and must enforce them effectively in order for team members to hold each other accountable.

PEOPLE—SELECTING THE RIGHT TALENT FOR THE TEAM

When it comes to top teams, this finding might surprise you: People on outstanding teams are often not brighter, more driven, or more committed than those on less-accomplished teams. Rather, people on the best teams are distinguished by their ability to work well with others. In other words, they bring their emotional intelligence to the table.

Emotionally intelligent people are capable of self-control, are adaptable, and exude self-confidence and self-awareness. Among outstanding executive teams, two attributes in particular distinguish the members—empathy and integrity.

Empathy is the ability to understand others' concerns and goals. Empathy is important because team members will only buy into the team process if they feel they are both heard and understood. Furthermore, it is critical that CEOs select emotionally intelligent team members capable of empathy—people who are capable of mutual respect who can listen to others' views in order to understand what is underlying a person's resistance or advocacy regarding an issue. Equally important, team leaders must be willing to remove anyone not willing to demonstrate this important attribute.

Integrity is generally associated with honesty and strict adherence to an ethical code. For top teams, integrity also means behaving consistently with the organization's (and the team's) values—even when there might be personal sacrifice involved. Consider the example of the executive team debating whether to shut down a factory that was not productive. Many team members took a hard line and advocated closing the factory immediately. But one team member had the courage to speak up and ask how closing the factory in this way was consistent with the company's core value of respecting people. On some executive teams, such candor could be professional suicide. But the leader of this team had created conditions of trust; therefore, the team member felt she

could safely present an opposing point of view. High-performing teams also understand conflict is good as long as it involves ideas, not personalities.

Getting the right people on the team and the wrong ones off means making sure the team is composed of people who can take an enterprise perspective—that is, their view is not limited to seeing only their own function. Rather, they take a company-wide perspective. This is particularly important with a startup, in which “all hands on deck” means ensuring that everything the company does—from financing to branding, production to market—advances the company’s goals. Having the right people also means choosing those who are willing and able to put things on the table that affect the whole business, rather than making those decisions on their own. They are able to hear others’ concerns and have the integrity to stand by the decisions the team makes.

One note about derailleurs: they must be taken off the team. A derailleur is a person who brings out the worst in others. That said, the derailleur label should never be applied lightly. There may be organizational issues at fault: unclear purpose, trivial tasks, no norms, and unclear boundaries that lead to bad behavior. Fix those first. In addition, top teams are often composed of strong personalities. Discussions should be robust, passionate, and even heated at times, especially around important issues affecting the enterprise. But the debates should not get personal; that’s out of bounds.

SUPPORT—CRUCIAL FOR THE TOP TEAM

CEOs who want outstanding teams must ensure they are supported—for example, provided with sound information and forecasts. Often, leadership teams are plagued by inadequate information systems. As a result, leadership has too much data but not enough usable information for making decisions.

In addition, CEOs must see to it that team members get training and that their efforts

are adequately rewarded. Within startups, compensation may take many forms; for example, equity to encourage buy-in and nonfinancial perks to encourage loyalty. Whatever form it takes, compensation can be a powerful tool for accomplishing the top team’s goals. Within a more established company, that tool can be variable compensation of bonuses and long-term incentives for helping the company as a whole attain its corporate goals.

One last word on compensation: Rewards will not bring a team together and get them to collaborate, but they can break them apart if the compensation scheme rewards individual efforts over those of the team.

DEVELOPMENT—LEARNING AND LEADING

CEOs who are outstanding team leaders periodically review team performance. They hold meetings to discuss how the team is doing, what it is doing best, what it is doing poorly, and what the team and its members have learned. Consider the example of a leadership team that went through a very rocky acquisition together. When it came time to undertake another, the CEO gathered the team together to discuss candidly what had gone well in the past and should be applied this time, in addition to seeing what went wrong the first time around and should be avoided. As a result, the second acquisition went smoothly, and the team felt a strong sense of accomplishment. While a startup probably isn’t in the position to make an acquisition, nonetheless, the lesson still applies. Candid discussions about any undertaking—what when well, what did not—lead to team learning and improved results over time.

It’s not surprising, perhaps, but leaders often spend little time coaching individuals or teams. For startups, in particular, most of the effort is spent on growing the company. The irony is that when leaders spend more time coaching their teams, the result is more positive relationships—and greater team effectiveness.

TOP TEAMS CAN WORK

When organizations, large and small, put in the effort to create and foster top teams, there can be significant payoffs, from faster execution of the business agenda to improved responsiveness as the market changes. Higher perceived valuations from investors may also result, which is good news for startups seeking additional capital.

Creating and sustaining effective top teams is hard work. Top teams are organic units. Effective leaders will take care to nourish and renew their teams, as they would any valued living organism. For startups that often have ambitious growth goals, there is always another mountain to climb. As successes are achieved, the team celebrates and becomes motivated to tackle the next challenges. Yes, leaders should take pride when their efforts result in members' willingness to put divergent point of views on the table in service of finding a new and viable way forward. But external conditions, as well as the complexities of interpersonal relationships on top teams, can conspire to erode the team's effectiveness unless

the CEO continues to give his or her team the attention it deserves.

For senior executives who have never run a top team (which may be common among startups) or for those whose past experience has made them cynical about teamwork at the executive level, the five conditions outlined in this chapter offer a roadmap for creating successful top teams. It takes Direction, Structure, People, Support, and Development. The reward is a team that encourages and challenges members to be more and achieve more than any individual could do on his/her own.

A CEO of a well-established company shared his view, which is aspirational advice for the road ahead for startups. "On top teams you have very talented individuals who demand a lot of themselves but who also have the team demanding more and more of them," the CEO said. "People feel tremendous pressure from the group. So you get results that you wouldn't get from individuals only acting for themselves. That's the real richness of teams."



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