



LEADERSHIP TEAMS

HOW THEY CREATE VALUE
AND WHAT HOLDS THEM BACK

A White Paper by Rob Pyne
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Realizer

An Introduction



1984

When I was ten, I loved a role-playing game called *Dungeons and Dragons*.

Once a month, six of us would gather for a whole day with the Dungeon Master challenging us to find treasure, fight evil, earn “experience points” and master our crafts as Wizard, Fighter or Thief. It was always the highlight of my month. Why? We were set a big and important challenge. We had to work together and think creatively to solve it. We each had a clear role and skills we brought to the group. And the leader facilitated the group effectively. It was, in a word, an inspiring experience.

2020

Fast-forward to a recent conversation with, Sebastian, an ex-colleague. We talked about what makes a good Leadership Team, and what Leadership Team meetings feel like. I said that Leadership Teams should show up for their meetings feeling positive and prepared. And they should leave the meetings feeling inspired.

He said, “I’ve never been in a Leadership Team like that. And I’ve never even heard of one.”

It’s true that just 20% of executives rate their own Leadership Team as “high performing”¹. So, Sebastian’s

experience might be normal.

But I’ve been lucky enough to work in, or with, a wide range of Leadership Teams, and I’ve seen a number of them become inspiring.

In this white paper, we’ll explore what holds Leadership Teams back. And we’ll explore ways to make them better. More effective. More productive. More strategic. And *maybe* even as inspiring as a day spent playing *Dungeons and Dragons* to a ten-year-old.

ROB PYNE
SYDNEY, JANUARY 2020

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Note: The stories included in this white paper are based on real situations, but with some of the details changed to protect client confidentiality.

The Value of Leadership Teams

"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."

- Jack Welch, GE

A Blue Mountains Retreat, 2019

I was invited to facilitate a Leadership offsite for a professional services company with a number of different divisions. That meant we had several division CEOs in the room, plus an HR lead, CFO and the Group CEO.

This team normally met once a fortnight for half a day and would go around updating each other on their division's performance and challenges. And the CFO, CEO or HR Lead might introduce company-wide topics for discussion, such as financial updates, stakeholder management or HR policies. In private they said that these meetings were of limited use.

Not long into day 1, I asked a simple question. "How much value do you think your Leadership Team meetings create? Can you write a number on a post-it between -10 (high negative value) to +10 (high positive value)."

The median answer they gave was +1. Their meetings were barely creating any value.

Next, I asked them to imagine that merely having a Leadership Team that met for half a day a fortnight had an opportunity cost of \$1m a year. What could the Leadership Team Meetings do to create more than \$1m in value?

In quick time they were able to identify the areas where they could and should create value for their stakeholders, staff, customers and themselves

They could: -

- Create a company – wide strategy
- Help solve specific business problems in each other's divisions
- Make it easier for their respective teams to collaborate across divisions
- Identify new business opportunities and help win them
- Identify people and culture issues and opportunities



When they estimated the value they could create, it came to significantly more than \$1m. So why was there such a huge gap between what they were doing, and what they could be doing?

In many ways, their Leadership Team was representative of lots of the ones I've worked with: they start out as a group of divisional or functional Leaders, and when they get together they have meetings that closely resemble a division-by-division Work-In-Progress, occasionally punctuated with some discussion around a company-wide issue - which has actually already been decided upon by the CEO and CFO behind closed doors.

The challenges Leadership Teams face fall into three buckets which we'll explore in the next section.

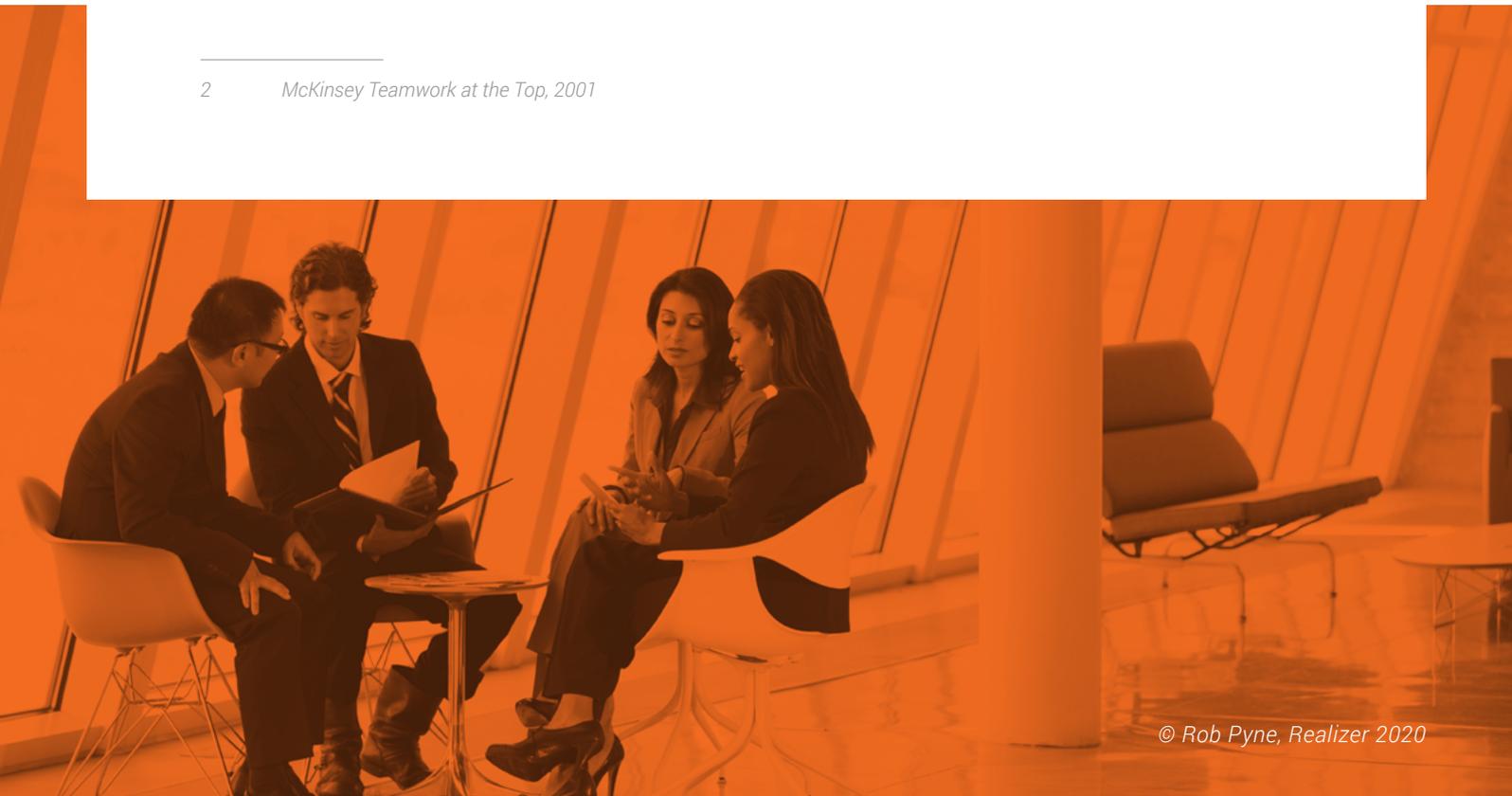


Common Problems Faced by Leadership Teams

Only 20% of senior executives say their Leadership Team is high-performing². And yet, almost every company's strategy, its very survival, is predicated on having an effective Leadership Team. We assume our Leadership Team will be high-performing, but 80% of the time it's not.

Here are the most common challenges we see that hold back Leadership Teams.

2 *McKinsey Teamwork at the Top, 2001*



Issues of strategy

Only 28% of managers can name three of their company's top strategic priorities³.

Some companies don't have a strategy. Or they have a strategy that no-one can remember. At one company where I was working with the Senior Leadership Team, I asked them to describe their strategy and one exec said, "was it that iceberg thing the CEO presented?" and another said, "no, there's a 3 year strategy on the shared drive" and a third chipped in, "what shared drive?"

Or they have a strategy that no-one *really* buys into. I remember at a multinational company where I worked, the newish CEO outlined his strategy, and I just thought it was like "fixing yesterday's problems tomorrow". I quit not long after.

Also, from our experience, we see: -

- Strategy is done once a year, in a big roadshow, which takes the local executives weeks to prepare and present to global CEO, who reviews it for 2 hrs and then the strategy doesn't get refreshed or tweaked for the rest of the year. It's lifeless.
- The strategy is retrofitted – like the time I was asked to make a risky new product's estimated revenue to be \$800m, exactly the shortfall that was being predicted in other parts of the business.
- Strategy and budgeting are misaligned – for example the strategy is done before the budgeting, but then the budgeting is done based on previous years and not taking into account the strategy.

3 MIT Sloan School, survey of 4,000 managers

Issues of delivery

In many Leadership Teams, after the Leadership Team meeting, people allocate *zero time* in their diary to deliver their part in the agreed initiatives. Instead they go back to focus 100% on their functional area. In a recent offsite, I asked the team how much time they spend on Leadership Team initiatives currently; they said 5%. Then I asked how much time they should spend? And they said 20%. That's a significant gap.

Also, from our experience, we see:

- The Leadership Team is too big. At one company I worked at 20 people would turn up to what was called the Leadership Team meeting. No decisions or even discussions were possible.
- Leadership team meetings are like a WIP. People show up to meetings unprepared. No decisions are agreed, or minutes taken. No-one takes the lead on owning the outcomes of meetings. The agenda is a random collection of unprioritized, short-term issues.
- The team cram strategic initiatives and short-term problems into the same meeting. The short-term problems take longer than expected to discuss, so the strategic initiatives get left behind.
- Leadership Team members don't delegate or harness suitable resources to deliver on the projects they are leading.
- No project reviews or post-mortems are undertaken.
- No-one with subject matter expertise is invited in to help solve problems. I've seen a new IT project being discussed by the Leadership Team without the key technical expert present.

Issues about People & Culture

Functional heads come into the Leadership Team and keep their functional hat on. They fight for and defend their particular patch. Instead, the Leadership Team members should take their functional hat off when they get to the table and put their company hat on. We call this the Two Hat rule.

When a functional lead joins the Leadership Team for the first time, they have come from an area where they worked mainly with people in the same function. The head of marketing works mainly with marketing people. And they tend to think in similar ways and have a similar background⁴. But when you hit the Leadership Team, suddenly everyone has a different background and thinks in different ways. It's not uncommon for members of the Leadership Team to end up actively disliking each other, mainly based on their dissimilarity.

Also, from our experience, we see:

- Leadership Team members nod along and agree in the meeting, but then bad-mouth the decisions back in their own functional teams.
- The CEO dominates the conversation, or a small number of people dominate, and the others feel disenfranchised.
- The Leadership Team allocates zero time to their own professional development as individuals or as a team.
- Problem behaviours emerge within the Leadership Team and are left unaddressed, and the team veers towards dysfunctional and distrusting

Tackling the issues

It doesn't have to be like this.

You know that Leadership Teams can create enormous value. They can be the beating heart of a company. And all you need to do is, once a quarter, elevate the team out of the content and the issues and into a big picture view of the Leadership Team's health. Ask 3 questions of the team.

1. Should we be more aligned on the company's strategy?
2. What can we do to help us better deliver Leadership Team projects?
3. Within the Leadership Team, how can we build better working relationships.

Answering these questions will help you create the Leadership Team you want.



The Leadership Team You Want To Be In

In our experience, there are 5 different levels a Leadership Team can operate at.

5 Leadership Team Levels		Focus	Outcome
5	 Inspiring	Ideas & Strategies	Developing step-change growth opportunities
4	 Achieving	Projects & Productivity	Managing change & keeping pace
3	 Trusting	Listening & Sharing	Starting to address real underlying issues
2	 Disjointed	Updating & Co-ordinating	Siloed & declining
1	 Dysfunctional	Defending & Blaming	Destroying value

At the bottom, **Dysfunctional**. Everyone is defensive, secretly competing with each other, and trying to find favour with the CEO. Some members are barely on speaking terms. The Leadership Team at this level may actually destroy value.

On the second rung of the ladder the team is **Disjointed** - people come along to Leadership

Team meetings and keep their functional hat on. They end up just having WIPs.

On the third rung, the team is **Trusting**. They can work together to achieve some results. They listen and share. They can play nicely with each other, and can even go on nice offsites and start to discuss the real, underlying business issues.

On the fourth rung, they're **Achieving**. This is about delivery of projects; it's about ownership, empowerment, and it's about spending a chunk of their time owning projects that are company-wide, not specific to their function. This enables the organization to manage change and keep pace with competitors.

On the fifth rung, they're **Inspiring**. This is where the collective intelligence shines. The team identifies ideas and opportunities as a group that none of them could have thought of alone. They create step-change opportunities for growth. They leave Leadership Team meetings feeling inspired, and ready to inspire their teams.

Levels 3, 4 and 5 also address the three common issues Leadership Teams face: People & Culture (L3), Delivery (L4) and Strategy (L5).

And if you get those three working, you're creating what we call **Effective Collective Intelligence**.



How to Level Up Your Leadership Team

If you have recognised some of the above issues as happening with your Leadership Team, exactly how can you go about taking your team to the next level?

Our research⁵ and experience have allowed us to gather a range of ideas and insights which we find help most Leadership Teams. Below are a few of the small changes that we've seen make a big impact.

How to create value

1. The Leadership Team should agree how it creates value and what kinds of issues and topics are to be discussed and decided.
2. This should then inform its cadence of meetings, of which there should be a variety, for example weekly stand-ups, monthly strategic reviews and quarterly team development opportunities.

How to create strategy that matters

3. Make sure you hear out dissenting voices and differences of opinion. They are valuable. Be open to being wrong – and others being right.
4. Simplify the strategy into a structure which can be captured on one page and shared with the whole company in a way that allows them to see their role easily.

⁵ Sources include: *How Management Teams Can Have a Good Fight* (HBR, 1997); *When Two Leaders on the Senior Team Hate Each Other* (HBR, 2019); *Teamwork At The Top* (McKinsey); *What Characterizes Effective Management Teams* (Bang & Midelfart, 2017); *The 5 Dysfunctions of a Team* (Lencioni); *Project Aristotle* (Google); *the Power of Hidden Teams* (HBR, 2019)

How to manage the culture of the Leadership Team

5. The Two Hat rule: when you are in the Leadership Team meeting, take your functional hat off, and put your company hat on.
6. The Cabinet Solidarity rule: healthy tension and positive friction are encouraged inside the room. But – so long as we everyone knew they were heard and we debated ideas rather than criticising people – when we walk out of the room, we align behind the team's decisions.

How to do delivery

7. Agree on simple change-management frameworks and principles as you roll out new products or processes and stick to them. Include reviewing these commitments at the appropriate meeting in your cadence.
8. Continually evaluate initiatives against the original strategy and manage their progress using real-time performance data

If you can combine strategy, delivery and culture, then you will be in a Leadership Team that has Effective Collective Intelligence.

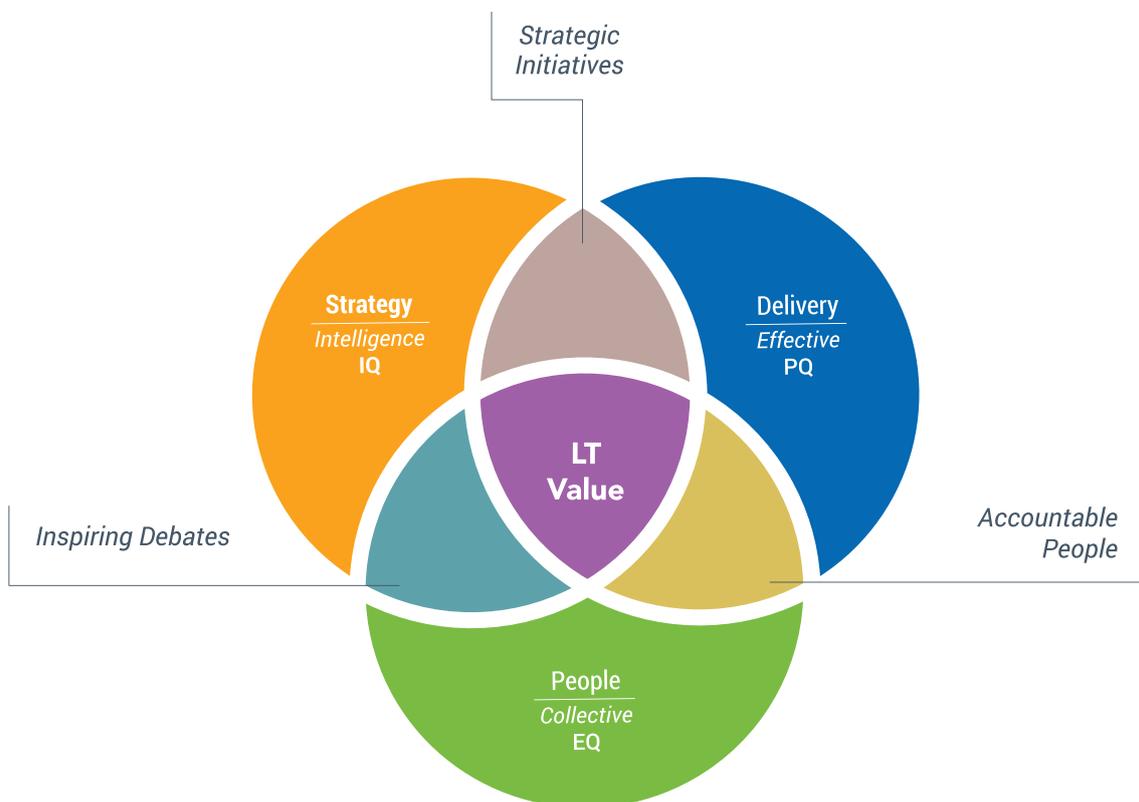
Sequencing Success

"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."

- *Teamwork at the Top* (McKinsey)

Some Leadership experts maintain that trust is the foundation of great teams; so they say you need to work on this *first*. My experience – like McKinsey – is that trust is an *outcome* of working together and delivering some results. You can't just talk about trust; you have to do trust.

Our model of how to build Leadership Team effectiveness features 3 elements (below). Combining these three elements produces the *Effective Collective Intelligence* you need to create value, represented at the intersection of the three circles.



To deliver this value teams need to focus on **Strategy**, which needs team IQ, the intellectual grunt required to invent an effective pathway.

They also need to focus on **Delivery**, using Practical Intelligence or team PQ, – the ability to get stuff done and delivered.

And they need to focus on **People and Culture**, which is mediated by team EQ or Emotional Intelligence.

These 3 types of team

intelligence can be measured using a diagnostic or survey of the team. They can form the basis for tracking Leadership Team health over time.

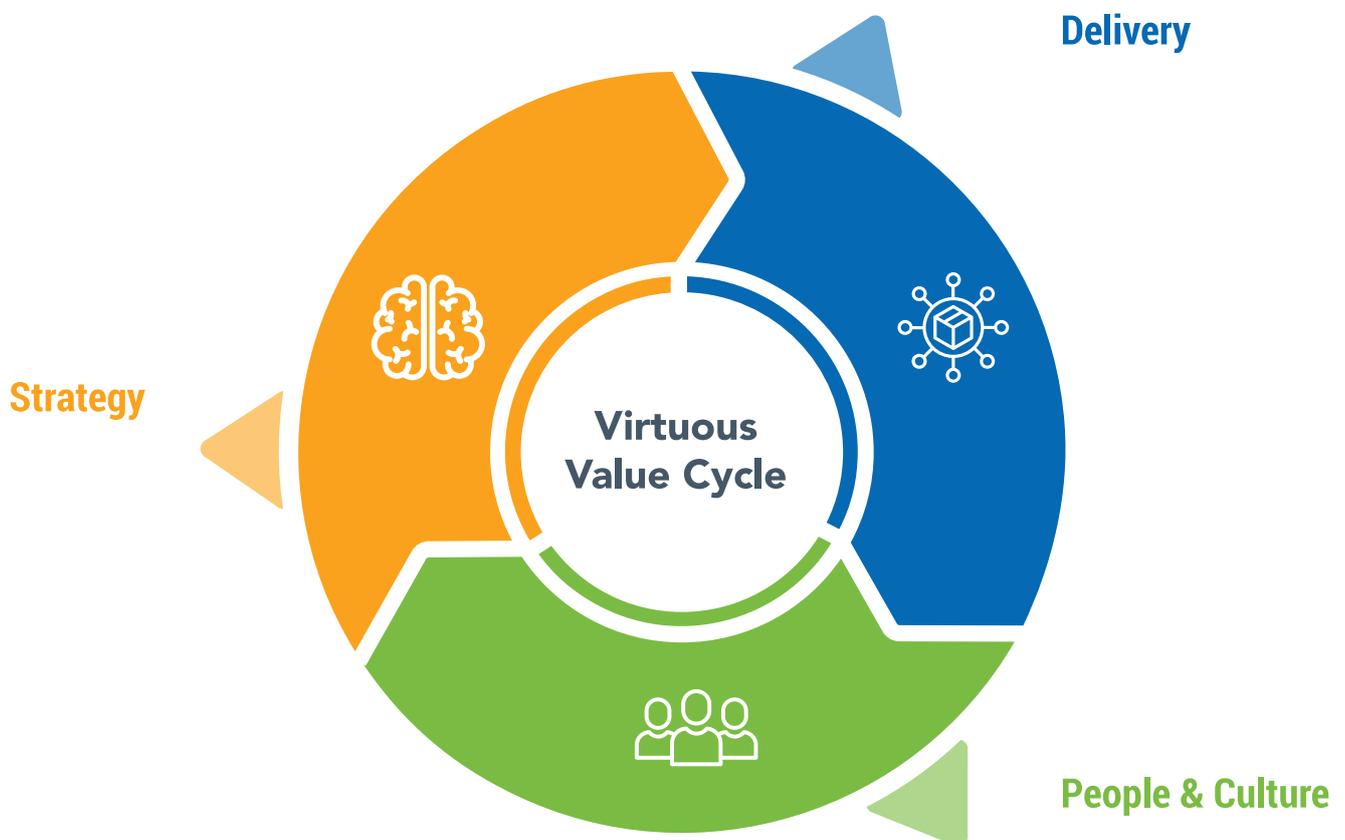
Making the change sustainable

Our work with Leadership Teams is designed to create sustainable high performance.

That means we help you build a Leadership Team which has a strong sense of the value it

can create for stakeholders. We then help you create the strategy, deliver the projects and keep the Leadership Team relationships strengthening over time.

A regular reflection on the elements of the Leadership Team – how are we doing on Strategy, Delivery & Culture? – will allow you to create a sustainable *virtuous value cycle* where success in one element leads to success in another.



A Final Word

The Blue Mountains Retreat, six months on

Let's return to the Blue Mountains offsite and take a look at what happened afterwards.

The first shift was in the way they met and what they talked about. They designed a different cadence of meetings.

- Monthly meetings, where they broke into small groups to solve real problems. They also used a 5-minute timer for their division updates.
- Biannual leadership development opportunities where they went on the road to visit clients and headed to Asia to see the latest innovations in their sector.
- And even included what they called the "Batcall" where a team member could hop on WhatsApp and enlist people's help immediately on an urgent issue.

This started to pay dividends immediately, through the value they created as well as engagement in the Leadership Team.

When I met with them six months later they told me an interesting story.

At our original offsite we had set aside a short time, right at the end, to talk about how they should run their monthly all-staff update meetings. That conversation led to the Leadership Team *themselves* having a much stronger, visible and united presence in those all-staff meetings. They changed the focus of the all-staff meeting to be about collaboration. As a result, they felt a strong incentive to practice what they preached as a Leadership Team. It helped them become

better role models and better collaborators.

This reveals an extra insight: the importance of the Leadership Team as a visible and united "brand", a representation of company aspiration. And it shows the benefits of giving the Leadership Team some *public* accountability for its behaviour.

That Leadership Team, which started out creating almost no value, is six months later a much more effective, collective and intelligent team.

And maybe, just maybe, some of them find their Leadership Team meetings as inspiring as I found my Dungeons & Dragons meet-ups back in 1984.



About the Author

Rob Pyne is a director of Realizer, which helps Leadership Teams harness their collective intelligence and realize their potential.

Rob's background includes 17 years in Marketing & Media, working in a number of Leadership roles, including National Head of Strategy and Chief Strategy Officer. And he holds a first-class degree in psychology from University College London, where he specialised in how humans make decisions.



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