Six factors make the difference between success and failure when it comes to top teams delivering results.
Delivering growth in today’s uncertain economy is an overwhelming challenge for even the most ‘superhuman’ CEO. Only a team can make it happen. Effective senior leadership teams play a crucial part in the successful development and execution of organisational strategy.

Recent research by Hay Group and Harvard University titled Senior Leadership Teams: What it takes to make them great, analysed more than 120 senior leadership teams over nine years. We discovered that the most successful organisations (across a range of financial performance measures) have one thing in common – they are led by successful leadership teams.

So how do CEOs and leadership teams achieve success? The research found that CEOs alone cannot make their leadership teams great. However, what CEOs can do is put certain conditions in place that increase the likelihood of developing highly effective senior leadership teams.

The research revealed six factors that make the difference between success and failure when it comes to top teams delivering performance. These six conditions form an implementation model (figure 1) for making the right changes, in the right order to improve the performance of any senior leadership team. The model consists of three essential conditions and three enabling conditions. The three essential conditions form the basic building blocks of a team, while the three enabling conditions accelerate progress, improve effectiveness and help the team to achieve great results.

**Building blocks:**

**Three essential conditions**

1. **A real team**
   - Bounded, stable and interdependent
   - Nearly every team defines itself as having clear boundaries but the reality is fewer than seven per cent of teams studied, actually agreed on who was on the team. Real teams have clear boundaries and relatively stable membership. They are truly interdependent and rely on each member’s unique skills and expertise to deliver the work of the team. Knowing who is on the team and generating membership stability means that together the team can weather any storm ahead – something that is critical during times of uncertainty.

2. **A compelling direction**
   - Purpose-driven, challenging and clear
   - The most effective senior leadership teams have a purpose which is clear and challenging and members who feel that the work of the team is a ‘stretch’ but not impossible. Top teams are most effective when the work of the team is consequential, meaning it has significant impact on the organisation and its people.

   Surprisingly, Hay Group finds this to be one of the conditions that many senior leadership teams find difficult to achieve. The purpose of the team is often assumed and rarely clearly articulated. The team knows that the work is important but often feels frustrated by what members see...
“...the CEO was not creating an environment where people were held accountable for inappropriate behaviour.”

We have our strategy... now what?
Having spent several million dollars conducting a complete review of its overarching strategy, financial and market position, business model and organisational structure, a client was frustrated to find that the new plan for growth was failing in implementation.

The CEO recognised that the problem was with the senior leadership team. Key members of her executive team were clearly not following the agenda. Even worse, the head of the company’s most important business unit was actively resisting the organisational changes required.

Increasing frustration with the pace of change was expressed in a spiral of negativity and blame at meetings. Individuals would sign-up to the agenda. Even worse, the head of the company’s most important business unit was actively resisting the organisational changes required.

An initial assessment of how the senior leadership team measured up to Hay Group’s team effectiveness analysis revealed that the team’s purpose was not aligned with its structure to deliver on strategy. This was an important missing link in relation to its success. The other important gap related to the work they did around the behavioural norms. Like most senior leadership teams, operating in a highly stressful and fast paced environment was not always conducive to constructive group behaviour. Significantly, the CEO was not creating an environment where people were held accountable for inappropriate behaviour.

Two years later, after steadily working through an implementation model based on the six conditions of team effectiveness, the stability of the team has improved. There is far less turnover and the CEO and her senior leadership team are reaping the rewards of all their hard work. This organisation continues to outperform its competitors and to deliver significant value to its shareholders.

as time wasted in meetings, discussing tactical or business-unit specific issues that are not relevant to all team members. One senior team member of a global consumer goods company recently told Hay Group, “it is as if the whole purpose of the meeting is to update the CEO on the detailed operational issues in each of our businesses. The only time individual team members seem to be engaged is when it is their turn to provide an update.”

During a downturn, when there is increased public scrutiny on the performance of management teams, getting this condition right is essential. Senior leadership teams need to be completely aligned and able to flex their focus and respond to external pressures on the business within a clear strategic context.

3. The right people
Enterprise-wide thinkers with proven integrity

There is nothing that tests the integrity of an organisation’s senior leadership team more than difficult economic times. Until recently, most of the top locally listed companies have enjoyed buoyant domestic and global markets. Delivering significant year-on-year growth and value to shareholders has been the norm. In this type of environment there is often less scrutiny on the performance of the senior team, particularly if the organisation is seen to deliver results. But the pressure of economic uncertainty on the senior leadership team, challenges it to face and act upon more difficult issues. Will the team continue to stand united behind team decisions? Will the team continue to shoulder their shared accountability for the organisation’s performance? An unprepared team could start to fragment – particularly if some business units are feeling the pressure on their performance more than others.

The senior leadership team research found that the most successful teams are made up of members who have a high degree of integrity, who are prepared to fully support team decisions and most importantly, who do not forego shared accountability even under significant stress. Many CEOs appoint all of their direct reports to the senior leadership team, however, in practical terms it is not necessary to have every functional area of the organisation represented. It is the input of members of the team rather than their title that is important. For example, virtually all senior leadership teams include the CFO at least initially, but some particularly courageous CEOs will choose to cut their CFO from the team if their behaviour destroys team dynamics or if they do not support joint decisions.

Achieving great results: Three enabling conditions

1. Sound structure
Small team, meaningful work and clear norms

The most effective senior leadership teams are not too big – those studied typically had less than 10 members. These teams also have an agreed set of operating ‘norms of conduct’, which provide a sound structure and represent shared expectations and ground rules around what is considered acceptable, both inside and outside meetings.
What happens after the crisis?

In 2005, this ASX listed company had a share price that was sinking and the future looked bleak. Enter a new CEO and three years later the company is trading with a share price that has more than tripled. This story is not about how the CEO salvaged a sinking ship. In many ways he followed all the rules. He came in with a clear strategy for growth, he drove it hard and ruthlessly removed underperforming executives. He hired the best in the business and personally sealed the deals that have positioned the company as one of Australia’s leading organisations.

The interesting part is why this successful CEO approached Hay Group six months ago with a problem. The reason was that he was worried about sustainability. Having just renewed his contract for the top job, the CEO was starting to recognise that he needed to create a great senior leadership team that would continue to deliver growth at the rate the market had come to expect.

The senior leadership team was required to look at individual and group performance in terms of longer-term sustainability. What made this difficult was the hard driving ‘turnaround’ style of leadership that has dominated across the team. While this behaviour had served the company well through the turnaround, it does not encourage sufficient collaboration, or allow the team to focus on the longer-term and build capability for the future.

The CEO’s task now, is to make some tough decisions about the shape of the senior leadership team and the time horizon across which it will operate. The six conditions of team effectiveness are being used as a road map to improve the performance of his senior leadership team and provide a clear framework for measuring its progress.

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2. Supportive context

Necessary skills for effective participation

Senior leadership teams working in a supportive context have all the information, capability and materials necessary to deliver the work of the team. This support for the team is essential to ensure they can deal with the required information on hand effectively and efficiently.

3. Expert team coaching

For the team as a group

Interestingly, the most successful senior leadership teams are not teams where members receive individual executive coaching to develop their personal strengths. Rather they are the teams which are coached as collective entities in real time – as the team is progressing through issues.

Success and failure...a final thought

Hay Group and Harvard University’s research found that nearly 50 per cent of the variation in the performance of teams studied was accounted for by the presence of these six conditions. This is a huge difference and illustrates that these six conditions are the ‘six degrees of separation’ between successful teams and those who fail to execute their strategies. CEOs who manage the six conditions can create more successful senior leadership teams even during economic uncertainty.