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A high-performance team: Identify, please

We asked three in-the-know executives what they would advise directors to look for in their top management team. **By Howard M. Guttman**

How can a board of directors tell whether or not the top-management team is a high-performance one? "Financial results" is the short answer that most directors would likely give, and while few could argue with financial metrics as the key indicator of success, it is only one of many useful indicators. In today's complex, global, need-for-speed environment, *how* a team achieves its success is as important as *what* it accomplishes. As Everett Cook, managing director and cofounder of private equity firm Pouschine Cook, points out, "A company will not survive, much less flourish, without being open to innovation, to new ideas, and to the adaptation of best practices. And for that, it needs to operate horizontally rather than hierarchically, beginning with top management."

A high-performing team is a fully aligned entity that operates horizontally to achieve increasingly higher levels of results. There is fundamental agreement on the business strategy. Roles are clear and accountability is redefined to include peers holding one another — and the leader — accountable for results. Protocols are in place for decision making, conflict management, and team behavior. Relationships are transparent and avoid silo defensiveness. There is an unmistakable *we-ness* to how a high-performing team conducts itself.

To gain insight into the initial question we raised, we went straight to the horse's mouth: We asked three high-performing executives what they would advise directors to look for. Here are four questions to ask to determine whether your top management team is a high-performance one.

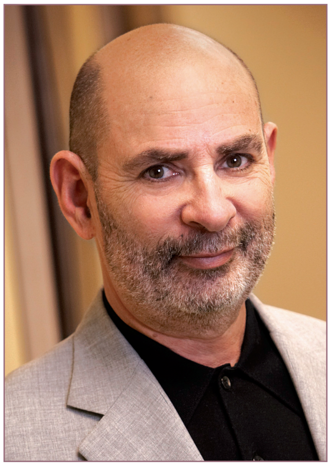
1. Does the CEO role-model high-performance behavior?

Several years ago I was called in to coach the CEO of a major consumer goods company who was facing a potential threat. A board member had begun a private campaign for the CEO's ouster. My assessment was that the director was engaged in a passive-aggressive, underground game and that the CEO should steer clear of similar behavior.

The CEO readily agreed. He opened the next board meeting by saying that there was an issue he wanted to put on the table for discussion. He told his board that he was getting the message that not everyone on the board was comfortable with the way he was leading. He said he wanted to know what his leadership would look like if he needed to make a shift: What was he doing right … and wrong?

The result: The director who started the controversy was forced to the surface — to explain to the board and the CEO what his objections were. Unconvinced, the majority of directors immediately voiced strong support for the CEO. End of discussion.

This CEO role-modeled the willingness to openly and honestly confront issues that distinguishes a high-performance player. His board could be fully confident that the CEO would not resort to subterfuge in their dealings, that his



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leadership style was rooted in candor and openness, and that in all likelihood his team members lived by similar values.

2. Are there surprises?

A team that has nothing to hide is not just willing but eager to make sure that the board is up to date on everything that's going on in the company — good and bad. According to Catherine Burzik, CEO of Kinetic Concepts Inc. (KCI), a leader in wound-care products, members of the executive team need to observe the Golden Rule: Don't surprise the board, just as the CEO and top team don't want the board to surprise them. "The management team is together all the time," explains Burzik, "but the board only meets quarterly, so there is often a lag time between what management knows and what the board knows." She recommends communicating with the board between quarterly meetings — at least once a month during periods of major change within the company.

Catherine Burzik: The 'lag time between what management knows and what the board knows' may need to be closed.

Axcan Pharma specializes in the development of drugs to treat diseases of the gastrointestinal tract. The company went private over a year ago. Axcan's CEO, Frank Verwiel, sees plenty of value added by board-management team transparancy. "When you get a new board, as we did," explains Verwiel, "it is critical that you quickly build relationships and mutual trust The private equity firm that purchased us has a wealth of experience and resources at its disposal, which makes it a terrific sparring partner with which to debate the merits of strategic and operational alternatives. The more transparent we are, the more we can tap into its resources in order to create the most valuable company we can."

Axcan's board meets quarterly, but Verwiel and his team hold monthly update meetings with board members on key financial matters. In between, there is frequent interaction related to ongoing business issues.

Early on in the acquisition process, Verwiel and his team outlined for Axcan's new owner the five-part strategy they had formulated, and explained the rationale behind it. Next, management and the board agreed on the key performance indicators that would be used to measure progress toward their objectives — everything from financial metrics to R&D pipeline performance. In agreement on strategy, goals, and measures, Axcan's management and board were ready for action before the ink had dried on the purchase agreement. From a board's vantage point, such thorough, transparent communication with management is a marker of a confident, high-performance management team.

3. Is the top team aligned?

High-performance teams share a common behavioral repertoire: strategically aligned decision making, team over individual wins, across-the-team accountability, comfort dealing with conflict, and quick issue resolution.

One way for directors to spot disconnects or misalignments in these areas is to keep a few questions

How Alfred Sloan sharpened the truth

The philosopher John Stuart Mill wrote compellingly about the importance of dissenting opinions. Dissent helps to sharpen the truth. Mill's insight has not had much impact in many organizations, where boat-rockers are often given the boot.

Harvard Business School Professor Amy Edmondson, for one, is of the opinion that the "propensity to maintain silence" is "widespread and problematic in both the public and private sectors." Her belief was reinforced when she and a colleague conducted a survey of over 200 employees, at all levels and in all functions, in a well-known multinational high-tech company. "We found to a very significant degree that people did not speak up about things they deemed important. Most of those were not 'bad news' things; to our surprise we found that people were reluctant to voice what they perceived to be a good ideas unless they were extraordinarily confident they would be well received. And this in a firm that lives and dies by its ideas."

Conflict-adverse organizations such as the one Edmondson surveyed can benefit from the example of the legendary General Motors President Alfred P. Sloan Jr. At a meeting of one of GM's top committees in the 1920s, Sloan said, "Gentlemen, I take it we are all in complete agreement on the subject here." Heads nodded around the table. "Then," continued Sloan, "I propose we postpone further discussion of this matter until our next meeting, to give ourselves time to develop disagreement and perhaps gain some understanding of what the decision is all about."

Like GM under Sloan's leadership, the great teams and organizations that we know respect the value of unfettered dialogue.

From *Great Business Teams: Cracking the Code for Standout Performance* by Howard M. Guttman, copyright 2008 by Guttman Development Strategies (Wiley, 2008).

in mind while observing members of the management team in action:

• Do they speak with one voice, or are they preoccupied with functional issues and viewpoints?
• Are they candid, direct, non-circuitous, straightforward — or do they hem and haw … have trouble getting to the point?
• Are they unsure when expressing opinions; do they look to one another — and especially to the CEO — for reactions and approval?
• Is the air "thick" with tension when there is a discussion?
• Do some executives dominate the conversation, while others remain silent?
• Do they come across as confident and powerful or tentative and wary?
• Are they open to feedback/suggestions from the board, or do they "shut down" and ignore your input?
• If you were a follower, would you want to follow this leader/this top team?

Many executives don't look at their board as an ally or partner, but as an overseer or auditor.

On a high-performing team, there are clearly defined protocols for decision making: who will make them, how they will be made — unilaterally, consultatively, or by consensus — and by when. As a result, the speed and quality of decisions are significantly increased. Directors should look at the 'hang time' for key management decisions. Slow — or no — decisions and poor choices are a clear indication that the management team is not up to par.

One way to detect strategic misalignment among top managers is to look carefully at functional budgets. As Burzik observes, "If expansion into Japan is vital to meeting strategic goals, but HR hasn't built into its budget the funds needed to build a strong team in that country, there's clearly a lack of alignment that the team needs to resolve."

4. Can we get past the CEO?

Pay careful attention to CEOs who try to control information flow and limit interaction with members of their team: There's potential trouble brewing. "Among the companies we've worked with," comments PE investor Cook, "the ones that haven't performed well are those where the CEO has tried to control the flow of information within the management team and to the board."

Burzik's antidote is to actively seek opportunities for the rest of her team to interact with her board. She points out that the standing committee structure of boards is especially valuable for data collection. Because they work so closely, executives and directors serving together on these committees forge strong relationships. Directors, especially committee chairs, are in an excellent position to judge how much value a team member adds.

A high-performing team is not a leaderless team, but a team of leaders. Each team member needs to possess a full array of leadership skills. When observing executives on committees, directors need to ask:

• Do they bring not only content but also leadership savvy to their interactions with the committee?
• Can they stand on their own —"float their own boat"?
• How do they lead?
• How do they create enrollment on issues?
• How do they deal with resistance?
• What is their level of decisiveness?
• How do they listen?
• How do they assert themselves?
• Are they defensive?

Lastly, Cook points to the importance of "directing by walking around." One of the mandates of directors of public companies is that they visit company sites, talk to employees, and observe working conditions. Getting into the field in this way gives the board an excellent idea of the efficiency of operations, the state of morale, and the way senior management is perceived by the rank and file.

Aligning the board and management

For boards and management teams to play in the high-performance arena requires mutual trust. Many executives don't look at their board as an ally or partner, but as an overseer or auditor. The executive team has a story about how boards are supposed to operate; the directors have another, different story about what is supposed to transpire.

There is one sure-fire way to bridge the divide: conduct an alignment of the board and the executive team. Shift the conversation from content (the business issues) to process (the way they will work together). Give the two entities the time and opportunity to come to agreement on mutual expectations, their respective roles and responsibilities, and the protocols or rules of behavior for making decisions and handling conflict.

In this new environment, candor and receptivity replace caution and distrust — and high performance follows. ■

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