

TEAMWORK AT THE TOP:  
CREATING HIGH PERFORMING EXECUTIVE TEAMS

Deborah G. Ancona  
with  
David A. Nadler

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Chief executives in U S. based firms have discovered something new - teams. At the most senior levels, team-based organization designs have been replacing more traditional executive structures. In fact, in many companies titles such as president or chief operating officer have disappeared from the organization chart and been replaced with executive teams with names such as management committee, policy committee, or corporate office. While the two person CEO/COO structure still appears to be very prominent at the top of organizations, the team model seems to be emerging as a strong and viable alternative. A recent study of 277 firms drawn from the *Fortune* Service 500 and Industrial 500 revealed that during the 1960-64 period the team mode appeared in only 8% of the companies in the sample, but by the 1980-84 period this number had increased threefold to 25% (Vancil, 1987).

The emergence of teamwork at the top poses a number of questions for the executive who is the shaper and designer of senior jobs and roles: What do teams at the top look like? Why have these team based designs emerged? How are senior teams different from other types of teams? How does one design and lead an effective senior team? What type of teamwork is needed in different situations? What types of special problems plague senior teams?

During the past eight years we have been exploring these questions through a combination of research and in-depth consultation. The research has focused on discovering the determinants of team performance in different work settings (Ancona, 1987; 1989) and has included senior business teams, product development teams, and sales teams. The consultation has involved intensive work with seven executive level teams and approximately 20 other senior business management teams of *Fortune* 500 type organizations for periods of

one to eight years. The work has included close interaction with team leaders and members as they tackle different tasks, challenges and problems.

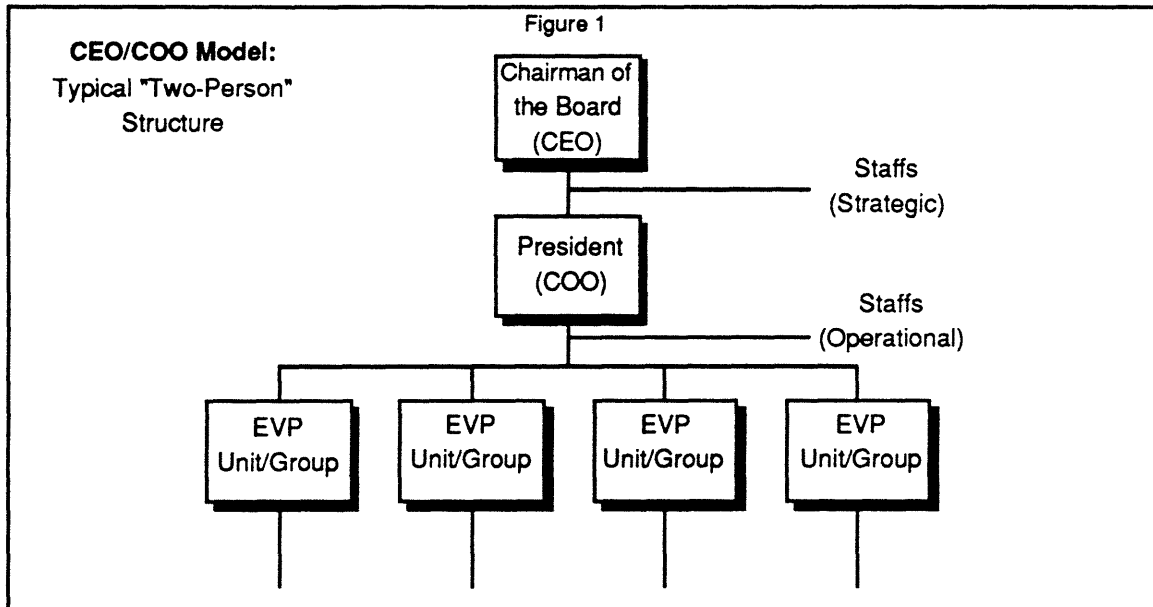
Through this joint research and consultation effort, an emerging picture of the effective executive team has developed. In particular, we have found that three issues drive the need for, and management of, executive teams. These include: responding to the complex and often changing *external environment* of the firm, *managing the diverse yet interdependent units* inside the corporation, and *shaping the process of executive succession*. The recognition and management of those issues need to be kept in mind as we discuss the nature, effectiveness, and management of executive teams.

### **What is an executive team?**

During the 1960's an approach to structuring executive roles and work emerged in the U.S. which can be called the CEO/COO model. This structure (shown in Figure 1) typically includes a Chairman of the Board serving as the Chief Executive Officer (CEO), a President serving as Chief Operating Officer (COO) reporting to the CEO, and a number of executives reporting to the COO, each responsible for the operations of a particular unit .

Work is allocated so that the CEO is responsible for strategic issues, external relations, and overall corporate governance, while the COO has primary responsibility for running internal company operations. The COO might meet regularly with his direct reports, the role of each of the individual executives is to manage his own piece of the organization consistent with the strategies and direction from the top. Although the specific roles and assignments varied from company to company, by the 1960's this "two-person" structure became the

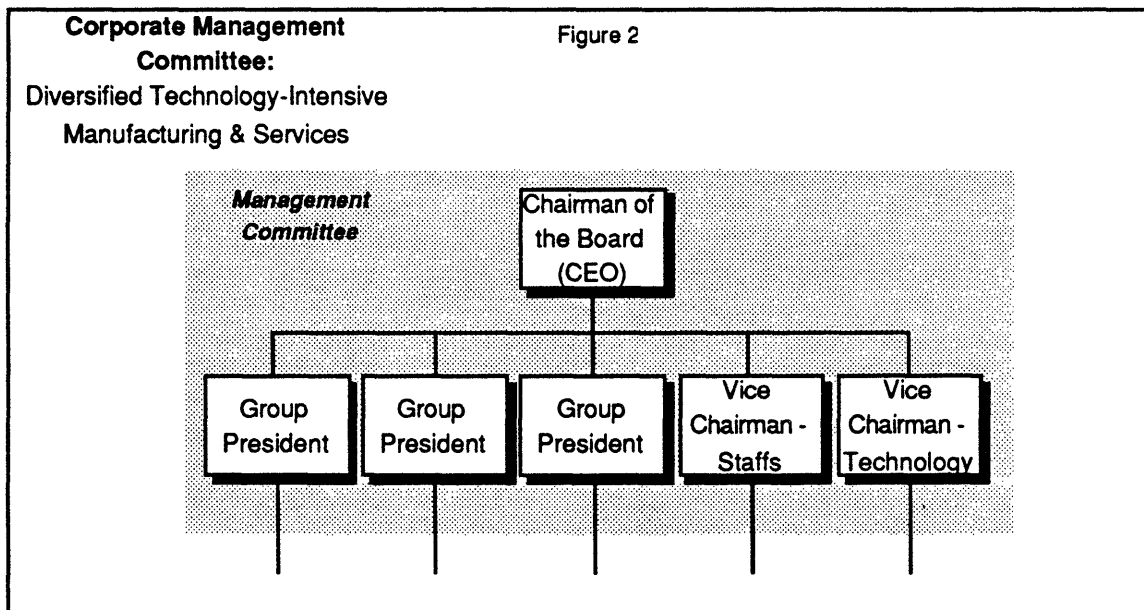
dominant form of organizing major U.S. corporations at the executive level (Vancil, 1987).



During the past decade, a different type of organization design at the top has emerged. In this design a team of executives reports to the CEO. This group collectively assumes the role of the COO in managing internal operations, and may even take on some of the CEO role of formulating strategy and managing external relations. If set up effectively, such a group is more than a set of individuals who work together, it is a truly interdependent interacting team (Schein, 1988). That is, team members have a sense of identity - they perceive themselves as a unit; they are interdependent - they depend upon each other to produce their output; and they have joint outcomes - their rewards and punishments are affected by each other.

Figure 2 displays an example of this type of executive team, in this case called a Corporate Management Committee, which is the senior team of a diversified

technology-intensive manufacturing and services company. The Corporate Management Committee is composed of three Group Presidents, each responsible for a particular strategic "sector" of the company, and two Vice-Chairmen, one for technology and one for all of the corporate staff functions. This team was created when a new CEO was named upon the retirement of the existing CEO and COO who had been using the traditional two person structure. The new CEO announced that he was going to run the company differently. He created the "CMC" and started to spend a good deal of time with that group, working on developing a shared vision for the company, including a set of strategies and a statement of values and operating principles. The Group Presidents, in particular, found themselves suddenly involved in a whole set of corporate policy and direction discussions in which they had not participated previously, as they were asked to take the perspective of "owners" of the company.



There are a growing number of organizations with organizational charts similar to the example shown here, although different terms may be used, such as

office of the chairman, policy committee, or corporate office. New organization charts alone, however, do not make an executive team. The core defining characteristic is that there is a set of people who collectively take on the role of providing strategic, operational, and institutional leadership for the organization. Thus, each member is not only responsible for his own unit or function, but also explicitly wears another "hat", that of corporate leadership.

### **Why the emergence of the executive team?**

The fundamental rationale for establishing any team, including executive teams, is the creation of synergy - the essence of which is increasing effective coordination or coupling across functions and activities so that the performance of the "whole" is greater than the sum of its parts. Synergy, or what has been called a group "assembly bonus", (Collins & Guetzkow, 1956) is realized when the added value of the team is greater than the "process loss" or overhead incurred as a consequence of having to coordinate and manage the collective work (Nadler, 1985). This capacity to initiate and execute collaborative effort to create added value is at the core of designing and managing executive teams. Effective teamwork is reflected in the quality of strategic and operational decisions made, in the ability of the team to translate decisions into actions, and ultimately in the quality of organizational performance.

**Why has the shift to the executive teams seemed to accelerate recently?**

Again, three factors seem to account for team formation: external demands, organizational complexity, and succession. There seem to be several environmental trends which, when coupled with some specific internal conditions, lead to the emergence of executive teams.

At the broadest cultural level, teams have come to be viewed as a more acceptable form of organizing, particularly because of the effective use of team structures by the Japanese and other foreign competitors. Thus, in contrast to the bias toward "rugged individualism" that prevailed for many years in U.S. based organizations, the idea of managing through teams at the executive level is seen as a more legitimate concept today.

External business pressures also have played a role in intensifying the demands on corporate leadership and the demands on the CEO in particular. Increasing global competition, technology-based change, and turbulence in financial markets have all added to the burdens of the CEO. The need to spend more time on strategies to meet environmental instability has had to be balanced with a focus on shorter term performance, driven by shareholder demands and concerns about takeover. As a consequence, CEOs have found themselves looking for help in both the strategic and operational tasks.

Not only have environments been changing, but the pace of change itself has increased. This has resulted in more frequent large scale strategic changes occurring in organizations at a much faster pace (Tushman & Romanelli, 1985). As a consequence of all these environmental changes, CEO's seem to feel the need for a broader base of participation in providing leadership for the organization.

While these environmental trends appear to be a necessary condition for the formation of an executive team, the more immediate catalyst for this design is usually related to events inside the organization. Thus, in addition to external events, executive teams emerge because of the internal management

requirements of managing diverse yet interdependent organizational units or because of the need of the CEO to manage succession related issues. One way of thinking about these various elements is to describe the three distinct “scenarios” that we have observed in relation to the formation of an executive team. The first is related to the internal management challenges, while the second two are related to management succession.

1. *The business diversity scenario.* This scenario is driven by the diversity and complexity of the piece parts of the organizations. In those companies where diversification has created multi-business or multi-industry activities in the context of a more unstable and demanding environment, the CEO feels that it would be difficult for on individual COO to provide the needed direction and integration across the diverse units, so he forms an executive level team to collectively perform the COO function.

Furthermore, many companies have begun to experiment with new organization forms such as networks, neo-conglomerates, alliances, etc. (Galbraith & Kazanjian, 1988). These new forms add to the amount and complexity of the demands on the senior operating executive, often creating jobs that no one individual can effectively perform, and thus leading to the creation of multiple COO roles through a team structure.

Thus, the complexity of managing diverse businesses and new structures motivates the CEO to form a team to take on the work that would be difficult for a single COO to accomplish. The CEO believes that a team will provide him with "many heads" applied to a problem and thus



the company will benefit from the collective wisdom and intellect of the team. Examples of this scenario would be the "Office of the Chairman" structure was used at AT&T for years, or the Management Committee that CEO Jamie Houghton has created and led at Corning.

2. *The new CEO scenario.* Executive teams also emerge through a second scenario, occurring when a new CEO is designated and first takes office. Particularly in situations where that individual was not the COO prior to succession, the new CEO is often hesitant to immediately designate a COO. There are several reasons. First, he may want to have direct contact with those parts of the business with which he is less familiar. Second, he may not want to put a layer of management between between himself and the major business units during the initial stage of his term when he is creating his leadership agenda and putting his stamp on the organization. Third, he may not want to implicitly designate a successor through the appointment of a COO, narrowing down his ultimate choices or creating a perception of reduced opportunity for other executives. Therefore, the new CEO creates a team to work directly with him in leading the organization. Examples of this approach can be seen in John Reed's structuring of the Citicorp senior management following succession from Walter Wriston, or similarly Walter Shipley's creation of the "Three President" structure at Chemical Bank in the early 1980's.
3. *The executive selection scenario.* The third scenario occurs at the end of the term of a CEO. As the CEO contemplates the choice of a successor, he modifies the structure, frequently by the retirement or removal of the current COO, to create an executive team which includes a number of the

succession candidates. The team then becomes an arena for assessing, selecting, and preparing successors. The team provides an opportunity for the CEO and the Board of Directors to observe the candidates as they interact around common business problems, or, as one said, "on a level playing field". The CEO is able to test the quality of the candidates' thinking, their leadership skills, and the nature of their relationships with others in senior management. Thus, the executive team is created to provide an environment for a succession "horse race". Notable examples of this can be seen in the structures created by Reginald Jones in GE, Ted Brophy at GTE, and Walter Wriston at Citicorp during the early 1980's as part of their executive selection processes.

These scenarios develop and change over time. For example, at Citicorp, Walter Wriston, the Chairman and CEO created a team of three Vice Chairmen (whom he referred to as the "Vice Squad") following the retirement of President William Spencer in 1981, and used this team explicitly as part of his selection process. One of those Vice Chairmen, John Reed, who spent most of his career in the consumer banking business, was then chosen as the new CEO. Reed, as the new CEO, clearly and explicitly chose not to designate a President and COO, and created what he called an "open management structure". Consistent with the new CEO scenario, he initially spent a good deal of his time and attention in the investment and institutional banking activities, rather than in the consumer bank from which he had come. Over time, despite the fact that Reed became familiar with the non-consumer activities in the organization and put his strategic and management agenda in place, he continued to use a broad team structure, consistent with the business diversity scenario. Thus,

CEOs may manage and create teams through different scenarios, and they may move in and out of using team approaches.

### **How are executive teams different from other teams?**

One might reasonably ask whether executive teams are any different from other management teams that might be encountered in an organization. Our research, consultation, and observation indicates that there are some very significant differences between executive teams and other teams that we have observed. This is important because the members of these teams are often unprepared by their previous experiences in teams for the dynamics they encounter in the executive team. These differences also pose some unique challenges for the shaping, structuring, and managing of these teams. Some of the notable differences are:

- *Saliency of the external environment.* While many teams find that they need to deal with the environment beyond the boundaries of the team (Ancona & Caldwell, 1989), the executive team is uniquely influenced by the external forces. Several elements of that environment have a major impact on the functioning of the team - particularly customers, competitors, financial markets, the Board of Directors, and shareholders. The understanding and managing of that environment therefore becomes a central and critical task of the team, much more so than in other team settings.
- *Complexity of the task.* As noted above, the executive team today faces a set of tasks or work requirements that are potentially more complex than most other teams. The combination of internal operations management,

external relationship management , institutional leadership, and strategic decision making creates a task that has many more interrelated elements and greater uncertainty than the tasks facing most other teams.

- *Intensified political behavior.* The essence of the executive team is power, or the exercise of influence over the behavior of others. In fact, a major job of the executive team is to effectively exercise power. In that environment, therefore, the presence of politics is much more pronounced, and explicit political behavior appears to be more frequent than in other teams.
- *Fixed pie reward contingencies.* While there are many rewards for executive team members, the ultimate reward is succession - who ends up as the CEO, or team leader. By definition succession creates a zero sum game, and thus a perception of a "fixed pie" of rewards. If one person wins, others have to lose.
- *Increased visibility.* The executive team has symbolic value as a source of institutional leadership, and therefore the actions, interactions, and dynamics of the team are carefully watched by many others in the organization. The team becomes a stage upon which dramas are acted out. What might otherwise be small and inconsequential interactions become major events. Executive team watching is a popular spectator sport in many organizations, and this may magnify some of the win-lose dynamics among individual members.

- *Composition.* Individuals become members of the executive team through a multi-year process of selection. While it is dangerous to generalize, in the firms we have observed, individuals selected into the executive team tend to be very high on needs for power and achievement. They also have histories of distinguishing themselves through individual achievement, rather than through their work with or through teams. Thus, in many U.S. based companies, the executive team ends up composed of people who have been brought up and rewarded for their successes in the "rugged individualism" model of management, and thus they may be less prepared to either lead or participate in effective teams than their colleagues at lower levels.
- *Special meaning of team membership.* While membership and inclusion is an important issue in many teams, membership has special meaning in the executive team. As the ultimate team in the organization, just being a member has special status and symbolism attached to it. Frequently people talk about the importance of "sitting at the big table", as a short hand for membership in the executive team. As a result, the questions of who becomes a member, how members are initiated, what it means to lose membership in the team, and so forth become of much more concern than in other teams.
- *Unique role of the CEO as team leader.* A key difference in the executive team is that the team leader is the CEO. As a consequence there may be more social distance between the leader and the team members than in other settings. The CEO is not only the team leader, but the ultimate determiner of rewards, particularly succession. Unlike other teams,

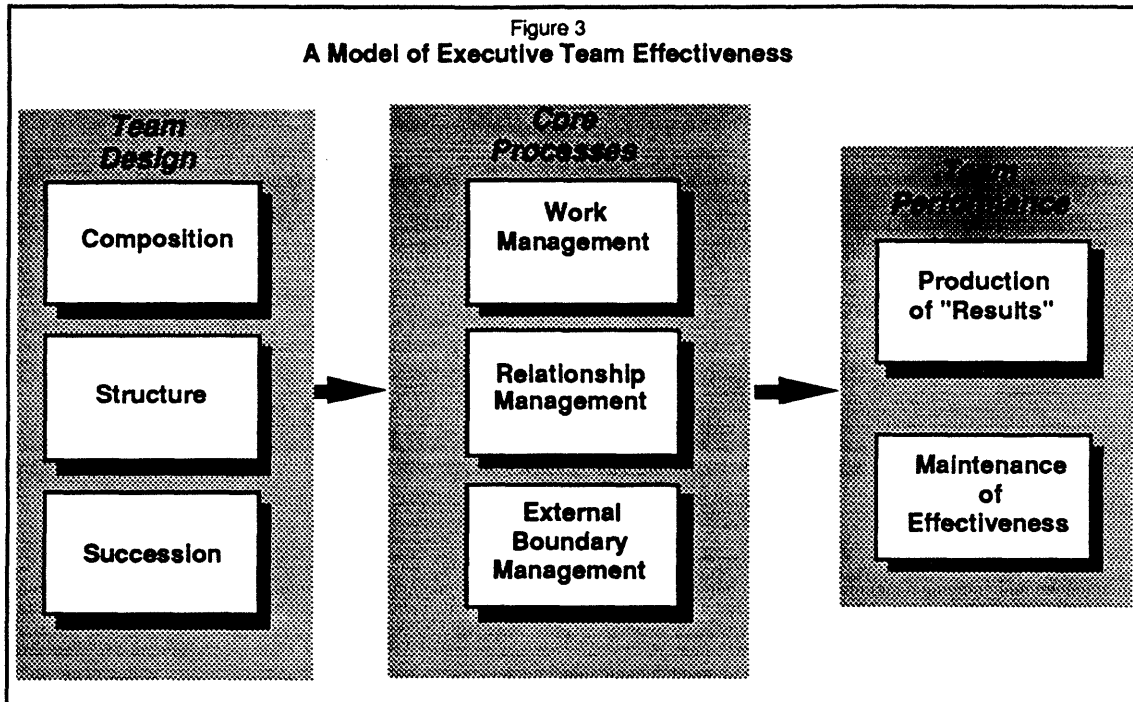
there usually is no recourse beyond the CEO; if there are relationship or performance problems that arise between individual team members and the CEO, there is no place else to go. The CEO's tenure is also more defined than in other teams. It is both more finite (because of customary retirement ages) but also of potentially longer term than in other teams.

In light of these factors, the dynamics of the executive team are significantly different from other teams. There are some features which are specifically unique to the executive team - the role of succession, the salience of the external environment, and the intensity of the political processes and issues. Some of the other features of executive teams occur in other teams (e.g. complex tasks and special meaning of membership.) but what's unique is that all of these tend to occur concurrently and intensely in the executive team.

### **What contributes to effective teamwork at the top?**

Our work suggests a way of thinking about executive teams, shown in Figure 3. This approach is based on some general models of group performance (Hackman, 1983; McGrath, 1984; Shea & Guzzo, 1987). Traditional models often deal primarily with internal processes, however, so we have expanded the model to put emphasis on the two issues that are particularly salient for senior teams: external relations and succession. Executive team performance is determined by how three core team processes are managed over time. These processes are, in turn, shaped by certain critical aspects of executive team design.

What are some of the key features of the model? To begin with, team performance is seen as having two dimensions. *Production of results* reflects



the team's ability to effectively meet the demands of its role. At the executive level, this would include whether the top team produces consistent positive results (earnings, growth, returns, etc.) and maintains organizational performance in the face of strategic and environmental challenges. Production of results would also include the quality of decision making, the ability to implement decisions, the outcomes of team work in terms of problems solved and work completed, and finally the quality of institutional leadership provided by the team.

*Maintenance of effectiveness* is the second dimension of team performance. This would include the ability of the team to satisfy its members' needs, the ability of the team members to work together over time, and the ability of the team to adapt to new demands, situations, or challenges. Over time,

maintenance of effectiveness is required to assure consistent production of results. The two are necessary and complementary aspects of performance.

Executive team performance is seen as being directly influenced by the quality, effectiveness, and appropriate shaping of three core processes:

- *Work Management Process.* This includes how the team organizes and manages itself to perform work, including how it shares information, how the work agenda of the team is set, how the team goes about making decisions, how the team coordinates the activities of different individuals and groups, etc. In executive teams, the work is primarily strategy, policy, and operating decisions. Work management therefore concerns how the team gets those decisions made and implemented.
- *Relationship Management Process.* This involves how the team manages the nature and quality of relationships among team members. Some key elements include the degree of openness between members, how conflicts are resolved, the nature of support expressed among members, the cohesiveness of the group, and the degree of trust. In executive teams the issue is how to manage relationships in the context of the political, symbolic, and succession factors mentioned above, particularly when team members may be geographically distant or not in daily direct contact with each other.
- *External Boundary Management Process.* This concerns how the team deals with factors and elements outside of the team, and largely outside of the organization. As mentioned above, this is a particularly salient process for executive teams. It includes how boundaries are defined, how key external actors are identified, and how boundary management approaches or strategies are developed. In executive teams boundary management may focus on actors outside of the organization such as financial markets, the media, key customers, competitors, and governments, but these teams also manage the boundary between the team itself and the rest of the organization that it leads.

The effectiveness of an executive team is determined by how well the team manages these three processes to meet the demands and exploit opportunities. While the three core processes can be directly managed and fashioned by the



team leader, they are also highly influenced by several factors which can be shaped ahead of time. We call these elements of *team design*:

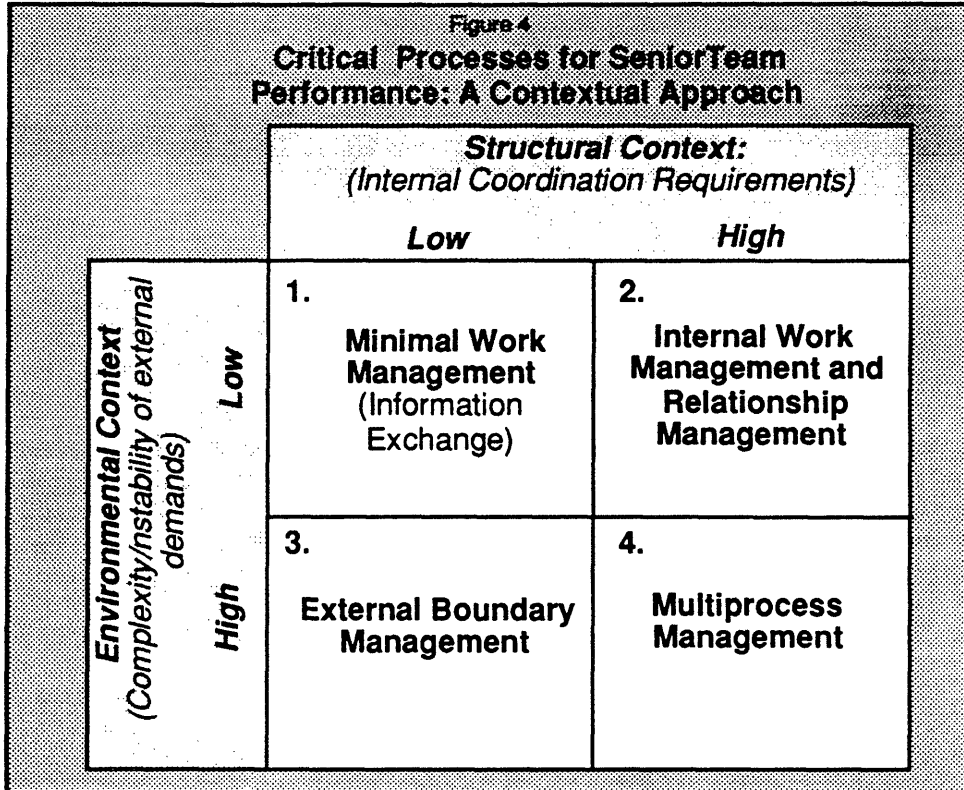
- *Composition.* The effectiveness and process of the team is greatly shaped by the selection of team members. The mix of skills and experiences in the team obviously impacts the team's ability to work effectively on different types of problems and tasks. In addition, the extent to which the team has shared values and shared perspectives also greatly impacts the relationship management issues in the team.
- *Structure.* Different teams may have varying formal structures. In executive teams, team structure is determined by the organization design decisions that establish the nature of positions in the team. Structure also includes the size of the team, the boundaries (who's in and out), the specific formal roles, the goals of the team, and the nature of team and individual rewards.
- *Succession.* A third design element is succession, which reflects the "scenario" that has been created for the team, the resulting perceptions of team members about succession, and expectations about how their performance and behavior affects their succession prospects.

### **What type of teamwork is needed in different situations?**

The executive team effectiveness model identifies some of the key elements which impact team performance. Yet we have shied away from identifying the set of universal characteristics of a "good team". Effective teams facing different strategic environments and created in disparate scenarios will require varying types of teamwork. Investing time and effort in the work management, relationship management, and boundary management processes where there is little potential added value from teamwork does not make sense. The decision to develop and work on the executive team has cost or overhead associated with it, including the time required, the potential slowing of decision making, the creation of added interfaces and thus coordination costs, and the increased burden of managing more relationships.

The more effective executive teams appear to be those which focus their time and thus their coordination efforts on the appropriate core processes given the *strategic context* of the team. Two contextual factors need to be considered. The first is the *environmental context*, or the nature of the external demands that are being placed on the organization by the environment. These demands are determined by the degree of threat from the environment, the the pace and rate of change in the environment, the complexity of the environment, and the degree to which important factors in the environment outside of the control of the executive team. Obviously, the greater the demands of the environment, the more attention the team needs to pay to external boundary management processes.

A second dimension is the *structural context* of the executive team, or the degree of interdependence (and therefore coordination requirements) among the major organizational units. The degree of interdependence is determined by several factors. One determinant is the strategic choices that the organization has made concerning its portfolio of businesses and the resultant strategic interdependence that exists among them. For example, a vertically integrated company typically has higher interdependence at the top level than one following a strategy of unrelated diversification (Michel & Hambrick, 1988; Rumelt, 1974). Another determinant is the set of organization design decisions that result in major organizational units that are more or less interdependent. If a company is grouped into business units there is typically less interdependence than if it is grouped by function. The greater the internal coordination requirements, the greater the demands for focus on internal work management processes, and the greater are the requirements for focus on the relationship management in support of effective work management.



This approach leads to a way of thinking about which processes to focus on and manage in different executive contexts, as shown in Figure 4. Those situations with low coordination requirements and low environmental demands (context one - or the upper left hand cell of Figure 4) require relatively little team process management. What is required is the most minimal level of work management around the broadest institutional issues where there is some common fate or interdependence. In practice, this means that the executive team merely needs to focus on information exchange among members.

Organizations in this category might be holding companies in industries with relatively low levels of market and technical change. Here the top team is more like a set of portfolio managers, pushing managerial decisions down to the diversified businesses at a lower level in the organization. High levels of

integration are not needed in these teams, and therefore studies have shown that the work of building a cohesive group is not related to performance (Michel & Hambrick, 1988; Song, 1982). Teams facing low coordination and environmental demands need only develop rudimentary group process skills such as the ability to call meetings, follow agendas, and surface information relevant to the few joint decisions team members must make. Meetings can be formal and infrequent in this condition.

Context two - with high internal coordination requirements but low environmental demands - is best typified by the large integrated business in a relatively stable industry. In fact, among large organizations, there are fewer and fewer which fall into this category. Currently, only those companies who hold monopolies, are in "protected" industries, or are part of an oligopoly find themselves facing environments that are stable and which do not make significant new demands on the organization. Consequently, many organizations that used to face context two have now face a different set of conditions and must change their processes accordingly.

For those teams that remain in this context the focus is on the internal work management and relationship management processes. In contrast to organizations in context one, companies in this condition are often functionally organized, thus decisions are not easily delegated to lower levels and organization units need to be more tightly coupled. Top management teams end up making major decisions about products to produce, markets to serve, technologies and structures to employ, and stance toward the competition. To accomplish these tasks teams need to develop cohesiveness, engage in frequent and open communication, and have well-managed meetings.

Coordination across members is key to success. The smooth work and relationship management processes needed in this context can be facilitated through a relatively homogeneous and long-term top team.

In those situations where there are low coordination requirements but high environmental demands (context three), most of the effort of the team should be focused on the external boundary management process. Academic institutions, professional service firms, or diversified companies in dynamic, heterogeneous environments are exemplars of this condition. In these cases, much of the operational work is delegated to the executives responsible for particular groups, businesses, sectors, or segments of the organization. There is relatively little operational interdependence among those groups, and sometimes there is little strategic interdependence either. Examples would include industrial companies which have developed significant financial services businesses that are separate from the core manufacturing based business.

In context three, the team does not get involved in coordination or the management of the interdependent work among the units. The focus is on the corporation as an entity, its strategy and policies, and the relationships that it has with various external organizations, groups, or bodies. The key process involves managing external relationships - including alliances, joint ventures, arrangements, etc. - and how those will be handled over time. Team members in this context must represent the corporation externally, negotiate agreements with outsiders, promote the organizational image to competitors and allies, work with the media, scan and monitor key external groups, and ward off unwelcome advances from other corporations.

Finally, in those situations where there are high internal coordination requirements and high environmental demands (context four) , the team needs to be able to manage all three processes effectively at the same time, or engage in multi-process management. Computer firms, and other high-technology companies, for example, face turbulent markets and are often integrated businesses. Here teams face the difficult challenge of adapting to a changing set of demands while needing to show internal leadership in setting priorities and direction that keep people mobilized. The external monitoring and communication with outsiders who have different values, priorities, and viewpoints, that is needed to meet environmental demands in context three, breeds conflict within the team as the multiple perspectives are juxtaposed and evaluated (Dougherty, 1987). However, since teams in context three have relatively low coordination demands, this conflict can be easily managed. In context four, however, the conflict must be managed and the team must exhibit sophisticated processes.

Teams in context four must bring together members with high social skills, and be able to negotiate and compromise, to pool information from multiple sources, and to blend analysis and action (Bourgeois & Eisenhardt, 1988; Quinn, 1982). Team members must meet more frequently with each other and with outsiders than is the case in the other conditions. Team members must always be working multiple agendas, trying to pull disparate individuals together towards an ever-changing target.

It is important to keep in mind that effective teams do not completely ignore any of the core processes. Rather, the bulk of the time and energy of the team is

focused on making sure that the critical processes for the team's current context are developed and managed. When the prospect of strategic change faces the organization, the team may also work on developing competencies that, while not critical now, may be critical in the near future as the organization's context changes.

### **Common problems in executive teams**

The approach we have presented suggests how to manage in different contexts, but implementing the appropriate team process is often difficult. In our work with executive teams, we have encountered seven common problems which are related to either the setting up of the executive team, or the management of core processes:

- *Synthetic teamwork.* Many so called executive teams do not actually engage in teamwork. The group is not a real team - it is synthetic. The leader of the team does not want nor require increased coupling and coordination, and therefore nothing more than information sharing happens in the team. There is no coordinated effort and no synergy. Thus, the team is formed and presented as being in context two or four, but is really in context one.

There are several negative consequences to synthetic teamwork. The creation of a team leads to expectations that the team will take action, make decisions, or lead. When this does not occur, there is often a perceived leadership vacuum, a loss of executive credibility, and frustration throughout the organization. To the extent that there is no one performing the COO function and coordination is indeed required, the lack of true teamwork may cripple decision making and implementation.

- *Cosmetic teamwork.* In certain executive teams, while the trappings of teamwork and cooperation are created, the day by day behavior of the team members not only indicates lack of teamwork, but frequently reveals intensely negative relationships among the individuals in the team. In cosmetic teamwork, there are surface level behaviors - particularly in formal team meetings - which affirm the team, the value of teamwork, and the importance of trust, openness, and collaborative effort. In truth, however, effective relationship management processes are absent. Team members are apt to interact in sub-groups, between meetings, and in other settings, complaining about other members or planning non-collaborative, and in some cases destructive, actions (Eisenhardt & Bourgeois, 1989).

Cosmetic teamwork often occurs when an executive team structure is created to enhance collaboration and coordinated effort, but the underlying scenario (including issues of rewards and succession) is one which motivates people to work in competitive as opposed to collaborative modes. Similarly, cosmetic teamwork occurs when the CEO claims to want teamwork, but is unwilling to give up any control. Since teamwork is often articulated by the CEO as the socially desirable behavior, the trappings of collaboration occur in the presence of the leader, but do not carry forward into the day to day interactions among the members.

- *Under-designed teams.* Frequently executive teams run into trouble because they are "under designed"; the team has been established, but composition has not been thought through, the structure (size, boundaries, goals, roles, rewards) has not been adequately or appropriately developed, and the succession



scenario has not been clearly defined. These teams gather together, but are incapacitated. In the worse cases, the wrong people are "at the table", attempting to do the wrong work, with unclear goals and roles, little rewards for true teamwork, and ill defined succession scenarios creating relationship problems. In these cases, the CEO has not taken the time and effort to develop the needed design of the executive team and has not worked with the team to implement the design.

- *Consensus management.* Many CEOs have limited experience and skills in team leadership and management. Having created an executive team, they do not hold an image of how to effectively harness the energies of the team to create coordinated action. In particular, they do not know how to create effective work management and relationship management processes. This is particularly problematic for teams that are moving into a multi-process mode. Not wanting to dominate the team, the CEO mistakenly shifts to the other side of the spectrum and ends up providing no direction for the team, resulting in consensus management . While there are some few situations where consensus is an appropriate method for decision making, the more effective teams we have observed tend to make different decisions in different ways - choosing the decision making process that is most appropriate for the issue. Some decisions in a consultative mode with the CEO getting input and discussing options with the team, but retaining the role of ultimate decision maker, other decisions may get made through a negotiation between the individuals most directly involved in the decision and the CEO, and in some cases consensus is appropriate. When all decisions become consensual, however, the team usually gets bogged down and loses effectiveness.

In consensus management, the CEO mistakes participation and collaboration for a lack of direction and structure. The resultant "laissez-faire" work process results in slow and ineffective decision making, risk aversion, and a sense of a leadership vacuum. The problem is usually not the team, but rather the inability of the leader to create effective work management and relationship management processes

- *Good plow-wrong field.* Another common problem is that the team is engaged in positive activities, but the effort is misplaced - the wrong processes are being developed and managed. For example, an executive team facing major environmental challenges but which works on the internal work management processes to the neglect of the boundary management issues is a team that is doing things right, but not doing the right things. This contextual misalignment results in an executive team that does not have the capacity to accurately understand and competently manage the processes that are responsive to the most critical strategic challenges facing it.

- *Inertia.* Frequently executive teams run into trouble because they become very comfortable with the set of team processes that fit their context, but take those processes to an extreme. For example, teams in context two may excel in work and relationship management processes, but when cohesion is too high, negative consequences can ensue. Under high cohesion, group members want to maintain high agreement so they do not critique each other, and often continue to follow decisions that each individual thinks is wrong. No one wants to start a conflict. Similarly, high cohesion leads to insulation from the environment and the inability to detect warning signals and change in the environment (Dutton & Duncan, 1987; Janis, 1982). In contrast, team members

in context three may excel at boundary management, but become so engaged in external activity that they lose loyalty to the team. These teams have a harder time getting members to commit to team decisions.

- *Succession overhang.* Succession is a fundamental issue which can hang over the team, shaping the nature of the relationships in the team, and thus the relationship management processes. Relationship management processes that are "poisoned" in turn can incapacitate the work management and boundary management processes of the team. The two succession related executive team scenarios each have a different potential impact - but both of them fundamentally negative. In the executive selection scenario, the "horse race" creates an inherently competitive win-lose situation which motivates individuals to not collaborate. Such a scenario creates the exact opposite of what is required for effective teamwork - individuals now perceive that the stakes for them individually overwhelm the stakes deriving from the success or failure of the team as a whole - at least in the short term. Thus competitive, non collaborative, and in some cases destructive behavior is motivated. At the least, cosmetic teamwork starts to occur. Similarly, in the new CEO scenario, the aftermath of the succession decision (or the social psychological hangover experienced the morning after) can create interpersonal dynamics that make teamwork difficult or impossible. Losing candidates may be team members and may feel wounded or attempt to prove (consciously or not) that the choice made was incorrect. In the new administration, team members may be anxious about their position and their evolving relationship with the new CEO who so recently was a peer and perhaps a competitor. Despite the statements of the new CEO, individuals may perceive that a COO will be named, so a secondary

succession scenario begins. All of these factors potentially contribute to significant problems in the relationships in the team.

These problems, while not all inclusive, are fairly common and can severely undermine team effectiveness. Most of these problems, however, can be prevented through thoughtful design of the team and deliberate management of the team's core processes.

### **Implications for Creating and Leading Executive Teams**

The executive team has emerged as a viable alternative for organizing work and roles at the most senior levels of complex organizations. As we have emphasized throughout our discussion, these teams have emerged as a result of three distinct set of demands - external demands posed by the environment, internal demands posed by the requirements of running diverse but interdependent organizations, and a unique and powerful set of demands created by the problem of executive succession. Not surprisingly, effective executive teams need to be able to manage the three sets of issues raised by these demands. They must organize to manage external complexity; they need to manage internal work requirements and relationships, and they need to do all of this while coping with both the reality and perceptions associated with succession.

Teams in different situations face varying degrees of intensity and combinations of these demands. As we have illustrated through the contextual approach presented above, the more effective teams appear to be those that can focus their time, energy, and resources on the managing the issues that are most critical, given their context. Using composition, structure, and the succession

scenario to create the core processes that meet internal and external requirements clearly is the most critical single challenge in creating effective executive teams.

The executive team, therefore, emerges as a higher risk/higher reward structure than the traditional CEO/COO model. The rewards come when an effective team provides a quality of leadership, decision making, and implementation that no single individual COO could ever hope to replicate. However, significant risks exist of incurring the problems we have listed when not enough thought and care is given to the design of the team and the management of the team over time. The implication is that executive team structures make sense in many situations, although not all. A second implication is that the CEO who seeks to employ this approach needs to be ready to invest the time, effort, and energy required to understand the requirements of the particular situation, to develop an appropriate team design, and to work on nurturing the evolution of the right core processes in the team. When this effort is made, the rewards of teamwork at the top can be very significant.

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