

Top Management Teams – The New Form of Management at the Head of Companies?

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Establishing highly productive, top-notch teams is among the toughest challenges great executives face today. Successful teamwork is essential for directing the “explosive power at the top” – the energy created by the assertive lone fighters on the highest rungs of the corporate ladder – such that it does not display destructive potential, but instead constructively transforms into first-rate performance. Unfortunately, a team structure alone does not guarantee the success of a top management team.

Collective management of a company via several head managers is nothing new. However, in recent years, the general conditions under which collective management takes place have become considerably more demanding. Global competition, technological changes, and changes in the political landscape and financial markets are only a few of the major changes in the environment. In addition, companies have also undergone a similarly vigorous transformation. Intercultural cooperation and increasingly complex organizations bring new challenges for corporate management to the forefront. In connection with the increasingly rapid turnover of managers¹ – not only in top management – there is also a strong trend towards emphasizing short-term results and managing exclusively by way of numbers. This is quite understandable given that the abundance of differences and the lack of stability hardly seem manageable any other way. And in view of the pressure to be profitable and cost-effective, decision processes in many companies must first and foremost be quick.

The complex task of corporate management

Given the general conditions described above, the task of managing a company is anything but easy. In order to nevertheless ensure the sustainability of companies, top managers must deal with permanent contradictions within the system and focus on a number of tasks.²

- “Difference between past, present, and future,” preparing yourself for developments, vision, and

¹ Study by the personnel consulting firm Heidrick & Struggles, Der Sprung in die Champions League, Düsseldorf, 6/2004

Examined 300 top executives from the top and upper management level in German companies:

Length of stay of top managers up to 40 years of age: 2.9 years

Length of stay of top managers between 40 and 49 years of age: 3.9 years

Length of stay of top managers over 50 years of age: 4.2 years

94.4% have a university degree; most frequent degrees: business administration (40%) and engineering (31%)

Dr. Rudolf Wimmer, “Wozu brauchen wir ein General Management,” Hernsteiner, 1993 Mercer Delt, “Teamwork at the Top,” 1998

² Cf. Dr. Rudolf Wimmer, lecture 2002 “Managing” means concretely shaping social leadership situations, for example how are communication processes configured, how are decisions made, how can we make ourselves observable, what are the mental structures behind this, etc.

strategy

- “Difference between inside and outside,” alignment with the requirements of the market, marketing
- “Dealing with complexity,” establishing suitable organizational forms for need-oriented service provisioning, organizational development
- “Dilemma of dealing with limited resources,” securing the resources necessary for the fulfillment of tasks
- “Management of the difference between the person and the organization,” securing productivity and motivation
- “Handling the difference between knowledge and ignorance” or: How can a company use supervision to achieve a self-description that is in line with reality?

Leadership communicates precisely on the boundary between “inside” and “outside” and tries to make developments observable, to connect the organization to important environments, and at the same time, to seal it off and protect it. The more turbulent and unpredictable these environments become, the more important the task becomes to transform these uncertainties and make them manageable.³

Within a team or individually and yet somehow together?

The complex challenges of managing medium-sized and large companies have more and more supervisory boards and CEOs convinced that this task is better performed by management teams than by individual persons. However, as attractive as this option may sound, management teams have a rather conflicting reputation; their performance depends on many factors. In practice, the ability of such management teams to work together creates a decisive choke point for successful corporate management. Team structure alone is unfortunately no guarantee for the success of top management teams.

Before looking at the characteristics of top management teams, the conditions under which teams are generally advisable should be considered. For this purpose, three factors must be examined:

- Does the task require a multitude of different abilities, perspectives, or experience, and is extraordinary creativity necessary?
- Are these tasks complex, with a high lack of transparency and calculability, for example issues concerning the future?
- Is a high amount of commitment required when important decisions are made?

³ Cf. also J. Gosling and H. Mintzberg, “Führungsstil – die fünf Welten eines Managers,” *Harvard Business Manager*, 4/2004; similarly R. Wimmer, “Die Funktion des General Management unter stark veränderten wirtschaftlichen Rahmenbedingungen,” *Managerie*, 1995, and “Wozu brauchen wir ein General Management,” *Hernsteiner*, 1993

In the case of top management teams, all of these conditions apply. Team structures in top management therefore make sense, but only if this mutual purpose is also perceived and put into practice by all team members. Unfortunately, just because something makes sense does not necessarily mean it will function well.

The deciding factor is the ability of teams to work together effectively, which cannot be achieved until a form of teamwork has been developed in which the necessary internal disputes do not take place at the expense of the quality of the solution itself. This, of course, also applies to managers in teams at the head of a company who should jointly struggle for the best solutions for the company. The gap between the experienced and desired realities is, however, sometimes quite large.

Special challenges faced by top management teams

Top management teams must deal with unavoidable conflicts of all kinds, including contradictions in the expectations about the personality structures of individual top managers. On the one hand, especially assertive executives are needed at this level – personalities which have already proven their leadership skills and are able to take a position on issues. On the other hand, members of a management team must equally be able to question such stances and to be open to other points of view. All relevant decision-making events require a subtle interplay between the managers involved and often span several hierarchical levels.⁴

Productive coordination can only be achieved by means of team-based work and negotiation processes. Management has essentially evolved into a team performance. For better or for worse, organizations today therefore depend on the effectiveness of those management teams that connect individual hierarchical levels and departments and, above all, on good teamwork at the top.

The central concept behind this is the interdependency which arises when an individual person can only accomplish his or her duties and responsibilities successfully with the support of others. Ultimately, a team's performance depends on how well this interdependent work is planned, managed, and executed. The members of a team have demonstrably more potential together as a group than as a randomly assembled cluster of individuals – but only if the team is suitably structured, steered, and motivated.

The following provides an outline of the central problems top management teams must face as well as the accompanying consequences.

The top manager “Species”

“First of all, it is completely normal that successful executives do not work well together in their respective management teams, and this should come as no surprise. The corporate ladder typically moves those personalities to the top that have learned to assert themselves. They can stand their ground, maintain the upper hand in conflicts, are goal- and action-oriented, and don't waste much time

⁴ Dr. Rudolf Wimmer, “Das besondere Lernpotenzial der gruppenspezifischen Trainingsgruppe,” in *betreff: TEAM; Dynamische Prozesse in Gruppen*, (Wiesbaden: VS Verlag für Sozialwissenschaften, 2005)

seeking the consensus of others in time-consuming processes of coordination. If a team brings together personalities that generally have very similar behavioral patterns, non-cooperation can be expected, and no one should be surprised if such teams are anything but effective (due to their initial configuration).⁵

A frequently observable result of this irresolvable contradiction is that the members of top management teams come to a tacit agreement to keep their distance from one another. For instance, contributions and decision memos from fellow board members are accepted without question, and everybody expects the same polite restraint from the other team members. This inevitably leads to a lack of important after action reviews and discussions when these would be objectively appropriate. As a result, the danger of making decisions that are not in the best interest of the organization is great.

Team composition/length of stay

It is also obvious that top management teams with a cross-cultural composition must overcome language and cultural barriers and that these therefore harbor a breeding ground for misunderstandings and difficulties when it comes to coordinated procedures. The tendency of top management team members to remain part of the team for increasingly shorter periods of time leads to the need to “restart” the team over and over again because each new team member brings changes to the executive committee. This also means that trust must be reestablished each time. The degree to which individual top managers are personally committed to true teamwork always depends on how beneficial the cooperation is. And in the case of new colleagues, each individual determines this anew every time. Consequently, these frequent changes are stressful for all members of a top management team.

In many cases, the “chemistry” between the members of a top management team is not right. The consequences of this are more serious than one might initially think. Fredmund Malik’s media-suitable call for top management teams to “...still be able to perform their work in a rational and reasonable manner despite a lack of chemistry” (M. o. M., no. 7: 8) is nothing but a lofty wish. If one proceeds from the understanding that attitudes and mindsets are the basis for action, one can conclude that personal antipathies significantly impede constructive mutual work.

Structure

The special decision-making authorities of the chairman or the speaker of the board within the structure of top management teams are particularly important when it comes to “stalemate situations” in the decision-making process. This also means that a top management team is by no means without a hierarchy. In practice, it is often difficult to find the right balance between exercising and foregoing the de facto power of a chairperson of the board. For instance, if a CEO establishes his or her role as that

5 Confirmed by German study in 3/2003 conducted at the University of Leipzig by Prof. Dr. Thomas Mellewigt about top management teams and strategic change. Significant relationships exist between strategic change and the characteristics of top management teams whereby the following points are of importance for promoting strategic change: the top management team is on average young (but there are differences), has a shorter (but similarly long) affiliation with the company, has not worked together for very long, has on average a high education level, and received highly specialized training.

of a “commander-in-chief” who clearly conveys to the other board members that they are of lower rank, he or she will perhaps demonstrate assertive power, but at the same time, will have to give up significant commitment in return. By the same token, a CEO cannot simply leave some tasks, for example deciding on an important strategic course, to his or her fellow board members without expressing an own opinion. Managing in management teams is always a balancing act, and more often than not, it is only successful when combined with clear decision-making structures and personal sovereignty.

Focus on factual topics

While the tasks of the management board/management are usually outlined by the bylaws with sufficient clarity that the question of “what” the team is to work on is relatively clear, the exact opposite often applies to the “how.” In practice, discussions on the manner of task fulfillment are usually either not held at all or only take place cursorily. The actual tasks are given priority much too quickly.

When, for example, the management board as a collective body is jointly responsible for the strategic alignment, it is left to the acting persons to decide how this challenge is to jointly be accomplished. This can range from complex strategic processes that also involve the next management level to merely a few hours of discussions within the board per year, complete with a “decision” by the chairperson.

Obviously, and correctly so, there are no general rules regarding the concrete structuring of cooperation among board members. Likewise, it is obvious that, depending on the company size and situation, different processes make sense. However, it is regrettable that the room for action, which is de facto present, is rarely actively exploited. Discussions on the right type of process configuration and the subsequent selective process control – especially when extending information processes beyond the top management circle would make sense – are rarely found on the agendas of top management teams. However, if the focus primarily remains on factual topics and hardly any attention is given to the configuration of information and cooperation processes, good team performance at the top is more likely to emerge as a mere product of chance than as an expectable result.

Decision-making pressure/complexity/lack of time

For many, time is the most visible constraining factor when it comes to teamwork among top managers. The combination of geographical distance, complex organizational structures, and the necessary decision-making speed result in a complexity that makes corporate management difficult. This sometimes leads to overloaded agendas, and far-reaching decisions are, in part, simply “rubber-stamped” via a raising of hands during top management meetings, without an appropriate discussion. Not only are such approaches possibly dangerous and certainly hardly reconcilable with the image of joint responsibility for the company’s management, but they also make an internal commitment by the less informed members of the executive committee very difficult.

Contradictory control systems

An especially serious problem frequently encountered in practice is the bonus systems used in top management, which reward the attainment of a management board's or director's departmental objectives more than the attainment of the goals for the company as a whole. The main reason for this logic is the fact that the attainment of such company-wide goals is strongly influenced by individual persons and the resulting fear that one might have to account for the potentially bad results of a fellow board member. Given that the old controller saying "You get what you measure" has been proven again and again in practice, no one should be surprised that top managers also work more energetically toward the goal for which they receive 80 percent of their bonus, for example, than toward the result for the company as a whole, for which they might only be "rewarded" with 20 percent of their bonus. Of all the central factors influencing the quality of top management teams, departmental bonuses – cloaked beneath the veil of individual departments' necessary focus on results – are the most subtle obstacle to a truly excellent overall performance of top management teams.

About the consequences of poorly functioning top management teams

An examination of the effects of well-functioning and poorly functioning top management teams directly leads to the issues of employee motivation, corporate culture, and finally and ultimately, company performance.

Motivation of the team or the opposite

The work of top management teams does not end with the conclusion of joint meetings – its true effectiveness is seen in the successful communication with the next management level and other employees. Furthermore, the coherence of word and action is a vital success factor for credibility and therefore also for the ability to motivate the staff.

If one asks around in the company about what the middle management and the employees say about the management at the top, one could come to the conclusion that much more gets through to the outside and is noticed than executive committee members might wish. The array of descriptions ranges from "Each board member says something different, you can choose who to believe" and "The recent decisions were not pleasant, but they were necessary. Why individual departments are obviously not abiding by it now and no one at the top is taking appropriate action, is incomprehensible" to the opinion that "Preaching water and drinking wine brings little motivation to the team." However, the opposite effect is achievable if the entire top management team stands behind important decisions as one and backs these up exemplarily with its own contributions. Unfortunately, in corporate life, such instances are not commonly heard of.

Company performance

A vital measuring point for success or failure is a company's financial development and the appraisal of the company value. If an executive committee manages collectively, it must also take the responsibility for the annual result and the development of the stock price. An increasingly rapid turnover in board positions dramatically attests to the fact that supervisory bodies are not willing to simply watch for more than two or three years if results are "not right." However, it is also indisputably the co-responsibility of the supervisory body to set up the framework for the collaboration in the top management team and, consequently, to significantly – although indirectly – influence the company's performance.

How top management teams achieve high performance

The basic conditions for excellent collaboration in top management teams are – as we have explained – anything but easy. Nevertheless, one must assume that in the future, successful development of companies will be differentiated precisely by how well the management team at the top accomplishes the bundling of its resources in such a way that overall performance amounts to more than the total of all individual performances.

The team's composition is undoubtedly one of the major success factors. CEOs who are able to assemble their board-level colleagues according to whether or not they "fit" the team surely have a considerable starting advantage. As has been proven, a healthy measure of heterogeneity with regard to age, sex, practical background, and industry experience has a positive effect on the performance of top management teams.⁶

Steering systems also provide a general framework and must clearly place the company's overall results before departmental performance in order to achieve the desired effect. However, other than this central framework, it is largely up to the top managers to decide how to organize and what to attend to as a team. The basis for their actions is that the entire top management team sees purpose in their joint work and that the collective responsibility is always anchored the collective "radar."

The crucial success factors for excellent top management teams can be filtered from the findings in team theory and the descriptions of successful top teams:

They went through the processes of teambuilding together, and team spirit and a "common purpose"⁷ were established. Examples: "Members of such teams mutually commit to common goals; one feels the supportive strength of a common emotional foundation, the people enjoy each other and have fun together."⁸

6 R. Benson-Armer and T. Hsieh, "Teamwork Across Time and Space," McKinsey Quarterly 4 (1997): 19–27

7 Dr. Rudolf Wimmer, "Das besondere Lernpotenzial der gruppodynamischen Trainingsgruppe," in *betrifft: TEAM; Dynamische Prozesse in Gruppen*, (Wiesbaden: VS Verlag für Sozialwissenschaften, 2005)

8 Ibid.

They have established solid personal relationships, can rely on each other, and respect and trust one another. Examples: “Feedback is given in person, promptly, and directly; the resulting trust leads to reciprocal dependability.”⁹

They have optimized the role structuring, division of tasks, and responsibility of the collective and of individual persons in several stages. Examples: The roles and tasks of the members of the top management team have been negotiated, expectations have been mutually exchanged, and concrete agreements on the structuring of the teamwork (such as the number, type, preparation, and follow-up of joint meetings) have been made. The meetings are organized in a manner that allows time and space for conflicts.

They adhere to the clear rules of information exchange in a disciplined manner, among themselves and with regard to other management levels and employees. Examples: During the preparation of important decisions, all members contribute by providing information from their departments. In the case of important projects of change, the top management team jointly and promptly provides information; they make sure that the results of information processes flow back into the top management team.

They decide according to agreed upon decision-making rules. Examples:

- They are guided by comprehensible observations, avoid presenting something as certain when it is in fact only based on mere speculation, prevent quick consensual solutions, and “grant” themselves, if necessary, more time for decision-making. Humor helps them in difficult decision-making situations. Risk sharing encourages innovations.
- They communicate responsibly, creatively, and flexibly with one another and with others and possess a high level of competency in dealing with contradictions and conflicts. Examples: Delicate issues are addressed directly in joint meetings without investing time beforehand in micropolitical processes of coordination; conflicts are intensified and worked out with mutual appreciation and acknowledgment of the other persons’ performance.¹⁰
- They work out job-related conflicts openly and constructively on the basis of their good personal relationships and diligently pay attention to a balanced influence and power structure. Examples: When important issues arise, they discuss their basic assumptions, communicate openly and unguardedly with regard to their own ignorance and without insulting the other person; they introduce opposing points of view into the discussion and develop accurate risk assessments.¹¹
- They know that their communication and their actions as the top management team and as individuals have a role model effect on corporate culture and therefore act accordingly. Examples: They are aware that each individual and the team as a whole are primarily judged by their actions; they also discuss which symbolic actions can be used to support difficult decisions.
- They observe and evaluate the results of their joint work and, if necessary, change rules and

9 Ibid.

10 Ibid.

11 Ibid.

approaches. Examples: It is agreed upon that the evaluation of results and a reflection on the teamwork will be included in the agenda at periodic intervals; they try to jointly uncover otherwise common blind spots and to utilize each potential for improvement.

- They keep the team spirit of the top management team alive and use humor to deal with difficulties that may arise. Examples: Honest and prompt feedback for each other as well as retreats which allow top managers to interact with one another irrespective of their roles are an integral part of the top management team culture.

Top managers who have decided to establish a top management team not only produce a result more successfully but are also less burdened in many aspects and personally more satisfied than board members and directors who see themselves more as a temporary “steering committee.” The examination of one’s own role and collaboration with fellow top managers is a key starting point for being able to create a top management team. It takes a lot of effort to accomplish this, but it is certainly worth it – for everybody.