

July 17, 2017

### **LOL: Three Keys to Strong Leadership Teams**

It just happens that FCG has been working with several Executive Committees (ECs) recently. The work involves helping them to come together as a highly functioning team that can effectively lead in this new era. They all have newly-added members which means that they must progress through the stages of:

- Forming (excitement and optimism about the future)
- Storming (reality of differing expectations, decision rights, Ego contests)
- Norming (process of agreeing on goals, roles, structure, ground rules)
- Performing (gelling as a highly functional team)

There is no way to bypass these predictable stages. Naïve leaders (low EQ) try to move from Forming to Performing with the rationale, “Hey, we’re all intelligent professionals, let’s just get to work.” Would an NFL coach say the same thing? “Hey, we’re all great football players, let’s go out on Sunday and win. See you then.” Not by a long shot. Roles are carefully articulated, a game plan is designed, film of the opponent is reviewed, and strong teamwork is supported.

By contrast, savvy leaders acknowledge the developmental process and roll up their sleeves. Specifically, they get three things right. They are:

- A clear purpose and direction
- The right team members for the EC
- A high level of trust

### **Clear Purpose and Direction**

Good leaders get this right on two levels. First, for the firm at large. Increasingly, investment firms are realizing that a purpose beyond “grow and make money” is needed. A recent study by SSgA and the CFA Institute called *Discovering Phi* ([link to paper](#)) shows in detail how purpose contributes to firm success. The paper states that the industry has been characterized by “passion without purpose.” Only 44% of investment professionals believe their leaders articulate a compelling vision of success. We used the Phi paper and many other sources to expand on this topic in our new book, *Money, Meaning, and Mindsets*. ([PDF of book](#)) The big idea is to combine passion and purpose to create a highly motivated work force. And to provide a clear strategy for achieving the vision of success. In this sense, good leaders answer two big questions: *Why* are we doing this? And *How* are we doing this?

Second, good leaders define the purpose for the EC. Mostly, members of an EC are the heads of various functions. Eight or fewer members is a good number to shoot for. Surprisingly though, these high-ranking professionals are not clear on the purpose of the EC. What does this committee do exactly? Many times, ECs devolve into MCs (Management Committees) which discuss tactical matters: Is the IT group up and running with the new system?

How is the new product launch coming? Have we hired a new lawyer on the legal team? Little wonder that EC members often dread the meetings.

So, what is the proper role of the EC? Most successful teams do the following:

1. Define and articulate the purpose of the firm
2. Define and manage the culture of the firm (by example)
3. Develop and track the strategy for the firm
4. Communicate the above to all firm members. Provide clarity.

There are other charges as well, like talent acquisition and development, succession planning, compensation philosophy, and the like. But the four big ones listed above are foundational. When the role of the EC is carefully defined, then good leaders can wrestle with the next decision: right team members.

### **Right Team Members**

For all the ECs that FCG works with, this has been a thorny issue. For an EC to function well, it needs both skill and chemistry. Some leaders stack their EC with investment professionals, with the logic being “we are an investment led firm.” Fine. But are the investment members of the EC good at vision, mission and strategy? Do they care about it? Or would they prefer to simply run their strategies? And what message does this send to the critical non-investment staff? Just today we spoke with a CEO who has a five-person EC, consisting of: Head of Sales, Head of Marketing, CFO, and CAO. (Chief Administrative Officer) We were surprised that only the CEO himself represented the investment functions. We asked the obvious question: Why is the CIO not on the EC?(!) The response: “He has no interest in managing people or developing strategy. He just wants to do investing.”

Alternatively, we work with an EC that has ten members and six of them are investment professionals. We know for a fact that several of the investment people are on the EC because they were asked to be by the CEO. Otherwise, they have no strong interest in the role.

So, what is the right way to form an EC? Again, back to the purpose statement for the EC. If you agree that the EC is largely charged with the four functions listed above, then a leader must think carefully about who has the skillsets—vision, strategic thinking, exemplary behavior, and communication skills. The people with these skills may not be the usual suspects, i.e. the C-suite titles. Most likely, it is a sub-set of these individuals who have the skills and, importantly, passion for the work. EC work is different from the daily functional role. FCG breaks leadership into three “hats”: self, team, and firm. Many professionals are well-suited for the first two, but not the third. It requires an ownership mindset that says, “I am now wearing the firm hat which means I am considering the success of all stakeholders. Not just my area.” Finally, a leader must build an EC that has the right chemistry among the individuals. And this brings us to the third factor, trust.

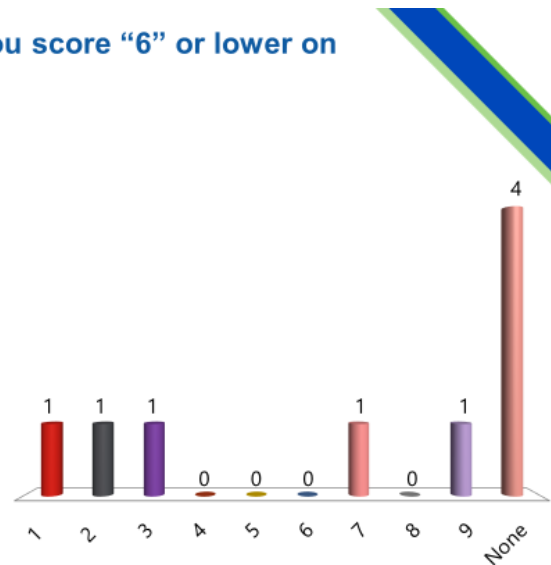
### **High Trust**

Assuming a leader has defined the role of the EC, and pulled together team members that have the right skillsets and interest level, the question remains: do they work well together? The core of this question is: do they trust

each other? Our work with teams involves carefully defining trust (with six factors) and then asking the team members to assess themselves and their team mates (1-10 scale). We then use voting devices to answer the question, “How many team members have at least one low score on the trust factors?” Results from two ECs are given below:

**How many team members did you score “6” or lower on at least one factor?**

- A. 1
- B. 2
- C. 3
- D. 4
- E. 5
- F. 6
- G. 7
- H. 8
- I. 9
- J. None

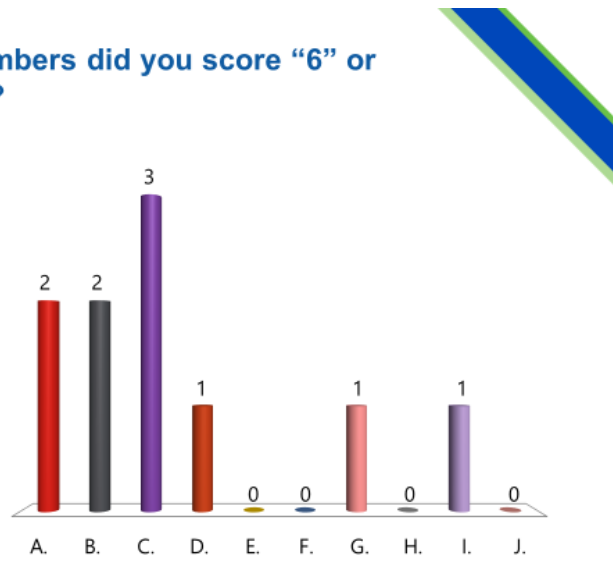


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**VOTE: How many team members did you score “6” or lower on at least one factor?**

- A. 1
- B. 2
- C. 3
- D. 4
- E. 5
- F. 6
- G. 7
- H. 8
- I. 9
- J. None



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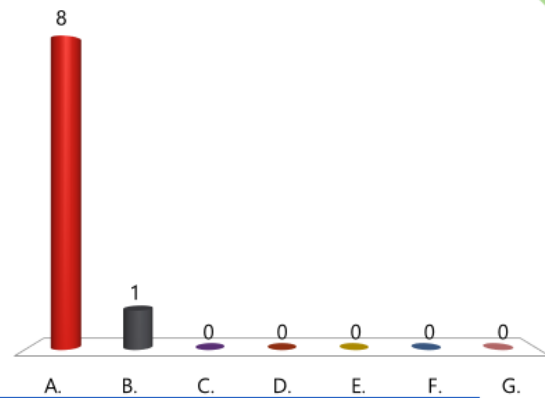


The number of EC members on each team is the sum of all the votes cast, so the top chart has 9 members, the bottom chart 10. Notice that both teams indicate there are trust issues. And while the top team does have four members who indicate no trust issues, they also have a team member who has trust issues with everyone! Same for the bottom team. ECs will only perform at their best if they minimize trust issues.

So, how does a team do that? Very simply, address and resolve the issues. But here’s the sticking point. Many of us believe that our colleagues really don’t want to know about their trust issues, so we hold back for fear of insulting them. Hence, the trust clearing conversations never happen and trust remains shaky. After watching this phenomenon for several years, we finally developed a voting slide to address this fear. We ask the team members, “Would you rather know about trust issues, or remain in the dark?” In other words: do you want your colleagues to just “sit” on their concerns, or do you want feedback on them? The voting slides for the two teams above are as follows:

**I would rather KNOW about trust issues with co-workers than remain in the dark.**

- A. Strongly Agree
- B. Agree
- C. Somewhat Agree
- D. Neutral
- E. Somewhat Disagree
- F. Disagree
- G. Strongly Disagree

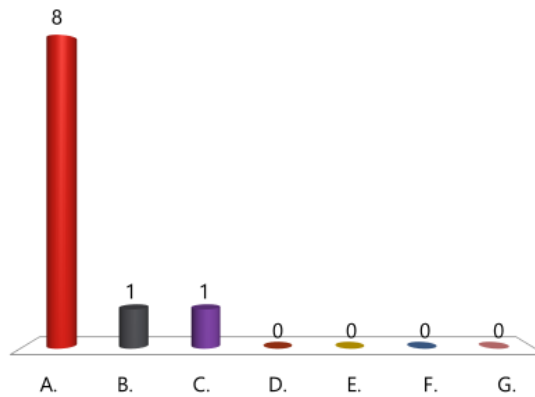


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**VOTE: I would rather KNOW about trust issues with co-workers than remain in the dark.**

- A. Strongly Agree
- B. Agree
- C. Somewhat Agree
- D. Neutral
- E. Somewhat Disagree
- F. Disagree
- G. Strongly Disagree



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Not surprisingly, the team members all agree: I would rather hear about the trust issues than remain in the dark. So, here is the invitation to do the trust work. Your team members have told you, “I want the feedback.” Are you willing to give it to them?

In addition, FCG provides tools to handle these trust clearings in a skillful manner. Two critical factors are: 1) approaching the conversation in a constructive way (you are trying to help), and 2) delivering the feedback respectfully (no blaming or demeaning). Also, separating fact from story is useful. What are the unarguable facts and what is your story about them? Minimizing trust issues and building positive chemistry then is the final piece of the “Big Three.”

Developing a strong EC is no easy task. But there are clear guidelines for doing it. And in these challenging times, the need to get it right has never been greater. Hmmm, maybe that’s why many firms are reaching out for help.

Curiously yours,

JW