



Teaming Effectively: 3 Key Factors

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By Jim Ware, CFA and Bryan Kozlowski

High-performing teams are now critical to an investment firm's success. Gone are the days when any of these strengths – alone – would carry the day: performance, sales efforts, trendy new products, reputation, and the like. In this New Era, firms must achieve excellence in all areas. All the “tribes”¹ in a firm – investments, sales, support functions – must build high-performing teams. Thankfully, there are clear guidelines for how to do it, which we will explore and describe in this paper.

Our findings are the result of Focus Consulting Group's (FCG) work with teams around the world. FCG administers Team Scorecards to intact teams to see how they are performing on 24 well-researched factors that contribute to success.² These factors fit into our overall model for team success:

Good process (hard skills) + good relationship (soft skills) = Quality results³

Our Team Scorecard measures these factors on two dimensions:

1. **Skill:** Is the team GOOD at a particular factor?
2. **Importance:** Does the team VALUE a particular factor?

The scorecard summarizes the results by highlighting the factors that are deemed very important, but were scored low on the skill rating. For example, a team result might show that team members really value candor (high importance), but also indicate that they are not very good at it (low skill). The clear recommendation in this case is: Take action to create more candor on the team.

Detailed datasets are included in Appendix B, as our goal is to keep this paper clear and practical (you're welcome!).

Let's start with the three factors that are deemed most important to quality results. From the 220 team members (across 28 teams) who completed the Team Scorecard (anonymously), these factors were considered mission critical:

1. **Clear Purpose and Direction:** I know what our team is trying to achieve.
2. **Right Team Members:** We have the right individuals to accomplish our goals.
3. **Trust:** I trust the people on our team.

Leaning on the "wisdom of crowds" principle, we assume that there is wisdom in this collective vote. It makes intuitive sense. Team members are saying, "In order to produce quality results, we must get these factors right."

Hence, the equation for success becomes:

$$\begin{aligned}
 & \text{Clear purpose and direction} \\
 + & \text{ Right team members} \\
 + & \text{ Trust} \\
 = & \text{ Quality results}^4
 \end{aligned}$$

Clear Purpose and Direction

Obviously, a team must know its purpose and where it is heading. Team leaders must be clear about *why* the work is important (purpose) and *how* it is to be done (direction). The traditional "why" in the investment world has been: "Show me the money!" That is, the more you pay me, the more you motivate me. Simple.

State Street Center for Applied Research (CAR) and the CFA Institute have teamed up to dispel this myth. In a recent paper called *Discovering Phi*,⁵ the authors dug into this topic, using Self Determination Theory (SDT) as a framework for researching the power of purpose. SDT assesses motivation on a scale ranging from extrinsic to intrinsic motivators, defined as follows:

Extrinsic	Intrinsic
Emotional pressures	Doing something important
Bonuses	Believing in what you do
Status	Doing it because it's right
Winning and competition	Doing it because we love it

Extrinsic motivators are carrots and sticks. They represent external influences that attract or repel. Bonuses attract.

Threatening bosses repel. Conversely, intrinsic motivators – aptly named – are independent of influences outside of us. When we do meaningful work, we are naturally motivated. When we do the right thing, virtue is its own reward. When we love our work, we thrive. Ideally, doing purposeful work that we love is as good as it gets.

So, which is more effective in obtaining investment success: extrinsic or intrinsic? The *Discovering Phi* study revealed that a 1% increase in phi – based on a diagnostic created by CAR/CFA – is associated with:

- 28%** greater odds of excellent organizational performance
- 55%** greater odds of excellent client satisfaction
- 57%** greater odds of excellent employee engagement

There you have it: more success and more engagement when intrinsic motivators are at work. For shorthand, you can interchange the word *phi* with the word *purpose*. More phi equals more purpose, which creates more motivation, which leads to better results. What actions can investment leaders take to build phi in their firms?⁶

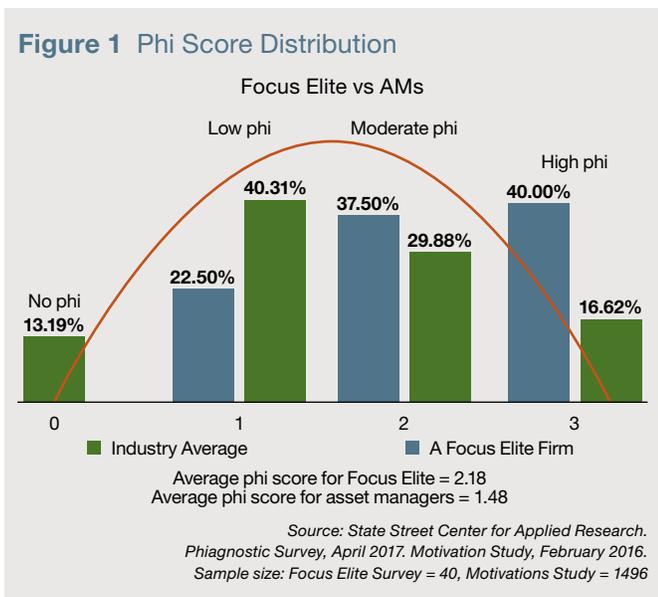
Action	Industry Data
Articulate a compelling vision.	Only 44% of investment professionals believe that their leaders do this.
Remind staff of their fiduciary duty.	Only 46% of retail investors believe that financial institutions operate in the client's best interest.
Create an inspirational statement of purpose (a mission statement that explains the "why" for the firm).	Only 5% of managers believe that their firm's mission statement has a significant positive influence on the day-to-day lives of their employees.
Teach and coach employees.	Only 33% of investment professionals believe this is occurring at their firm.

CAR/CFA's phi-agnostic test measures the level of phi in an organization – assessing the extrinsic/intrinsic motivators for each respondent (i.e., staff member) and then aggregating them for a firm score.

Sadly, more than half of the investment professionals in the pilot survey (N = 1,486) had low phi scores (and 13% had NO

phi at all). Given the evidence that high phi contributes to commercial success and employee engagement, firms should jump on this bandwagon. Right?

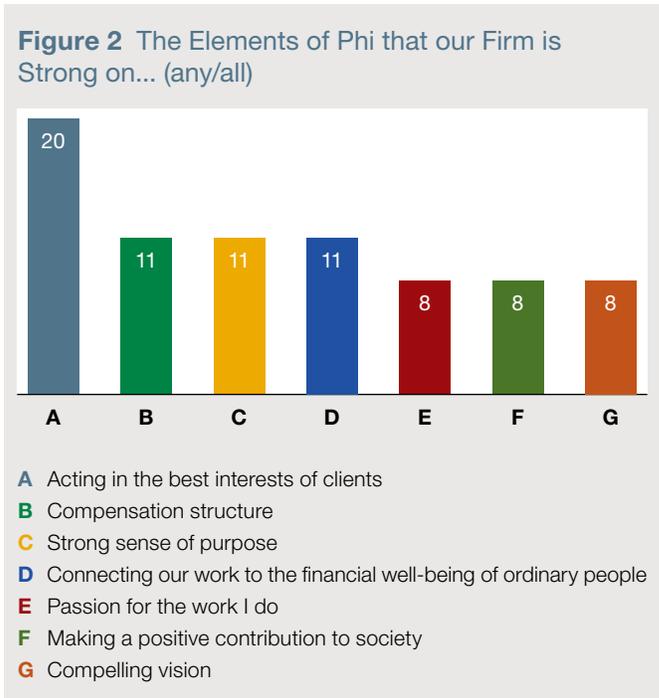
Some have. One of the best firms that we (FCG) know – a member of what we call our “Focus Elite”⁷ – learned about the phi-agnostic test and eagerly signed up for it. CAR crunched the numbers and came back with the results shown in Figure 1.



No surprise: The “Focus Elite” firm rocked it. Their high phi score was more than double the number for the industry. In addition, their overall score was excellent. High phi firms do exist. And in the case of the firm shown here, their strong culture and superb leadership deliver quality results. We are eager to collect more data, especially from our Focus Elite firms, which presumably should have high levels of phi, given similar levels of strong leadership and culture.

Moving from industry phi averages to specific elements, we polled a roomful of CFA charter holders in Toronto during a presentation on phi. The 40 attendees were asked to identify which elements of phi were alive and well at their respective firms; those results are shown in Figure 2.

The strongest response was “Acting in the best interest of clients,” but only 50% of the attendees felt that was true at their firm! (The phi research from CAR indicates that only 38% of investment professionals “believe that their organization is acting in the best interests of their clients.”) Clearly, from these results, the industry has not yet embraced phi.



Skeptics may read this and think, “Damn straight! The Almighty Dollar has ruled for a long time, and I’m not changing my bets. Money motivates. Besides, good accountability requires a little fear in the organization. Workers need to know that they’ll lose their jobs if they don’t perform. So, I’m still a carrot-and-stick guy.”

Here’s the danger in doubling down on this view. In a word: *millennials*. Waving around carrots and sticks has far less influence on them. Gallup calls it “Purpose over Profits.” In their research, they found that millennials are deeply interested in meaningful work and doing good in the world⁸. Additionally, millennials are far more likely to leave a bad culture (read: fear and blame) than the prior generations (Xers and baby boomers). To attract and retain top young talent, the older generation must adapt to a new world: one where purpose trumps profits.

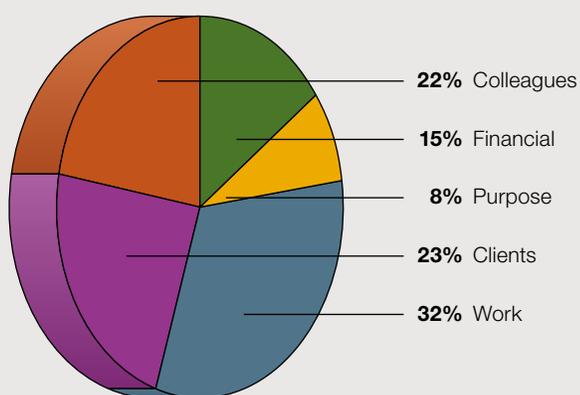
A second danger in trotting out carrots and sticks is the advent of knowledge work. Dan Pink writes convincingly about this shift in *Drive*.⁹ Extrinsic motivators are effective for industrial work, like assembly lines. Give workers a bonus for making more widgets and they’ll produce more widgets. Unfortunately, this approach – more carrots – doesn’t work well with knowledge workers. In fact, it can backfire. A simple study with children and reading illustrates this point. Two groups of

children were asked to read books. One group was paid to do it. The other simply read for pleasure. Both groups successfully finished their reading assignments. The lesson came after the study was completed: The paid readers refused to read unless they were paid. The other (nonpaid) group continued reading because they had learned that reading was fun. The lesson was clear: If you train people to think that an activity is worth doing only if it is rewarded, then they'll insist on a reward. The key variable here is intrinsic versus extrinsic rewards. Intrinsically, reading is fun, so we naturally will do it, regardless of an extrinsic reward. But if we link reading to extrinsic rewards – like money – then we feel cheated if we aren't paid for reading.

The investment world has trained a whole generation of workers to feel that investment work must be highly rewarded. This causal connection exists even though a strong motivator for investment workers is “the nature of the work itself.” We have talked to countless investment professionals who say, “This work is fascinating. I'd be doing it for myself even if I weren't paid anything.” (In other words, investing their own funds privately would be satisfying.)

Our data indicate that the nature of the work is the single biggest motivator in the industry (Figure 3).

Figure 3 What has the most meaning for you in daily experience?



N = 968 professionals, 6 firms

As stated earlier, investment professionals are passionate about their work. However, as also stated earlier, they are low on purpose, with only 8% finding meaning to be a key motivator. But this is changing. The Focus Elite firm cited earlier

showed “purpose” to be the greatest motivator for this same question. A second Focus Elite firm also registered the same result: Purpose as the most meaningful aspect of their work. Workers are beginning to resonate with Dan Pink’s statement:

The most deeply motivated people – not to mention those who are most productive and satisfied – hitch their desires to a cause larger than themselves.¹⁰

Or perhaps they've read Simon Sinek's *Start with Why*, in which Sinek says about workers, “Deep inside, they all love being a part of something bigger than themselves.”¹¹ Sinek goes on to pose an interesting challenge to all of us:

The goal of business should not be to do business with anyone who simply wants what you have. It should be to focus on the people who believe what you believe. When we are selective about doing business only with those who believe in our WHY, trust emerges.¹²

In addition to clear purpose, team leaders must describe the direction, the way forward. For many teams, the purpose is fairly clear. It's the “how” that's murky.

For too many, strategy is synonymous with budgeting. We once asked a CEO to share with us his firm's strategic plan. To our surprise, the document he showed us was nothing more than a detailed (albeit elaborate) P&L for the upcoming year. Although understanding the financials is important, a strategy is much more. If purpose is the “what,” then strategy is the “how.” It has been our experience that the most successful investment firms develop well-articulated strategic road maps to guide them in their journeys from where they are today to where they hope to be tomorrow (with tomorrow typically defined as the next 3 – 5 years). Such a plan effectively details the goals and objectives the firm wants to achieve and the strategies and tactics it intends to follow for making them a reality. FCG uses the chart shown in Figure 4 to clarify language, as people often come to strategy sessions with different definitions.

Figure 4 Definition of G.O.S.T. Terms			
GOAL	OBJECTIVE	STRATEGY	TACTIC
What	What	How	How
General	Specific	General	Specific

G	Goal	General statement of desired outcome:	"Weight loss"
O	Objective	Specific statement of desired outcome:	"10 pounds"
S	Strategy	General statement of HOW the goal will be achieved:	"More exercise, healthier food choices"
T	Tactics	Specific statement of HOW the goal will be achieved:	"Join the helath club, eliminate suger and wheat from diet"

A strategic plan might explore the firm's launch of a new product or its expansion into a new market (or both), supported by a plan for the resources required for proper execution. A strategic plan is not a wish list; instead, it is a well-crafted, yet flexible, blueprint which develops into the foundation for everything that firm does and pursues. A strategic plan comes to life when senior leadership effectively communicates it to all team members, helping to connect the dots for how individual efforts and goals both influence and are influenced by the strategy. Strong planning and effective communication are key drivers in effecting a successful implementation. Establishing the "what" and supporting it with the "why" are two key steps in driving quality results.

Unfortunately, the data indicate that the purpose and direction factor alone does not lead to quality results. It is necessary but not sufficient. A leader may lay out a very strong purpose and a great plan for execution, but if the team members are not right, and trust is weak, quality results could prove elusive. Hence, the need for the next two factors.

Right Team Members

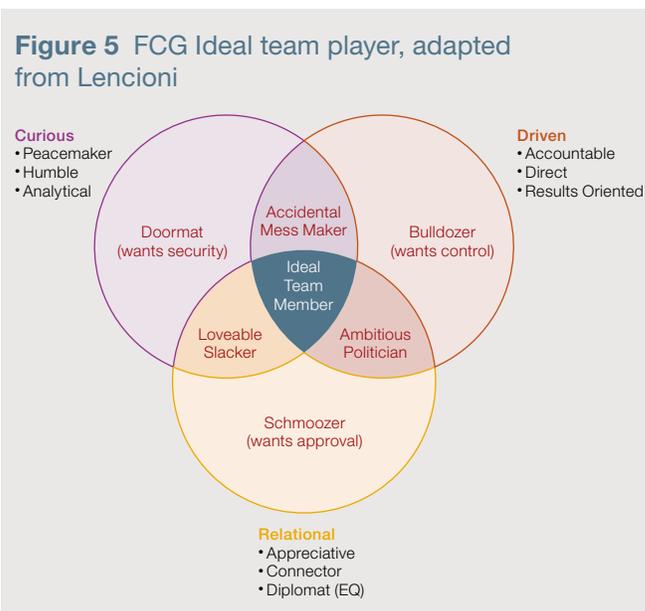
Assembling the right team members is crucial to success because it drives so many other factors, including our third factor, trust¹³. In FCG's experience, we've found that the ideal team player has the following characteristics:¹⁴

1. **Curious** and humble, often with an analytical bent. These qualities in a team member contribute to good listening, patience, diligence, and safety. This quality allows such

team members to choose inquiry over defensiveness. They seek learning/understanding over being right. The downside of this personality trait is that they can become a doormat, if they don't have the other two characteristics.

2. **Driven**. Good team players have a drive to succeed. They are appropriately ambitious, with a push for continuous improvement and excellence. This quality provides a natural desire for accountability, and a no-nonsense drive for direct communication and clarity. The driver who lacks the other two characteristics can become a bulldozer, seeking control and running over people.
3. **Relational**. A final quality of an ideal team player is emotional intelligence. These members have enough self-awareness to understand themselves and enough other-awareness to read their teammates. In this sense, they are people smart. However, if they are solely motivated by relational qualities, they may simply be schmoozers – smooth but ineffective.

The catch in finding an ideal team member is that s/he has to have some of each characteristic. If that's not the case, then you end up frequently with the red-lettered problems in the Venn diagram in Figure 5.



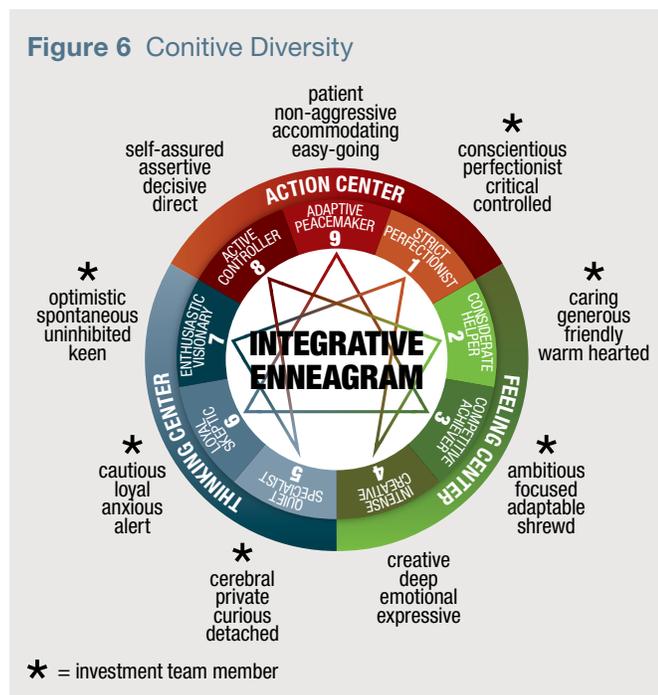
If a team member has only one characteristic, s/he may be a Doormat, Bulldozer, or Schmoozer. But even two characteristics is not enough.

If team members are *curious* and *driven*, but not *relational*, they can end up causing unintended messes. For example, they are curious about a new process and driven to design and execute it, but they are wholly unaware of the effect it will have on other parts of the organization. With good intentions, they create a mess.

Similarly, if team members are *curious* and *relational*, they might be delightful to work with – friendly, smart, and safe – but ineffective in getting things done. They are complacent. They lack the drive to push forward and make things happen.

Finally, the combination of *relational* and *driven* can be the most dangerous of all, because this combination allows for ambition and finesse. These people can be working a private agenda without anyone knowing it. They can be sneaky in this way (think: Machiavelli). And they lack the humility and curiosity to put the team and firm first. Often these characters are the hardest to spot.

Another aspect of strong teams is sufficient cognitive diversity. FCG uses the Enneagram personality assessment to measure this aspect of a team. Of the 9 basic personality types, we hope to see at least 5 on a team of 10 people. The team shown in Figure 6 has a good blend of cognitive diversity.¹⁵



At first glance, it may seem overly ambitious to find individuals who have all three of these qualities: curious, driven, and relational. But FCG has worked with teams that are comprised of such individuals, and to our delight, we believe FCG’s team members all have these qualities. So, in looking to assemble a team, leaders can use these guidelines for selection. Find team members who have a sufficient level of skill in each area. The good news is that people can improve in any of these areas. *They are learnable skills.*

The toughest problem for leaders is dealing with a team member who doesn’t seem to fit. Sometimes this challenge involves good corporate citizens (culture fits) who have legitimate differences. For example, FCG worked with a fundamental research team in which one of the team members handled the quantitative filters. Over time, this individual became increasingly convinced that the fundamental efforts were adding little value. It was the upfront quantitative screens that chose the winning stocks. The team leader described it as having a “Buddhist attending Christian services.” Neither was right nor wrong, just a wholly different view. In this case, the leader moved the quantitative member off the team.

A second kind of challenge concerning right team members can be what the FCG team calls the Red X.¹⁶ Unlike the preceding example, Red Xs are NOT good team players ... but they are big contributors. Imagine a sales person who is excellent at developing and closing leads. No question that is a value-add, but if that same person causes drama within the sales team – or the larger organization – then the team leader has a decision to make. Often, FCG is called in to coach the individual. And sometimes that works, depending on the person’s willingness to change. In other instances, though, the individual had no appetite for change and was stuck fast to his or her behavior. Sometimes you can firewall these people: separate them out so that their toxic behavior is isolated.

The team leader must evaluate how much damage is being done by the Red X. Typically, trust suffers when there is a Red X. Team members become guarded in meetings: productive debate declines, candor and openness dissipate and morale sinks. The data clearly show that these factors are critical to establishing top-performing teams.¹⁷ Eventually, if unaddressed,

talent are at risk of leaving. FCG saw this in the case of a senior marketing leader – much valued by the firm – leaving because he got tired of fighting with the senior sales person.

Assembling the right team members requires leaders to pay close attention to the team dynamics, especially with members who don't fit. FCG has developed a number of assessments to help leaders make this call: 360 reviews, individual interviews and the Team Scorecard are useful. In borderline cases, FCG favors the approach of giving the “non-fit” person the opportunity to change, through direct feedback and possibly coaching. But if that doesn't work, then our experience has clearly shown that leaders must move them off the team.

A final point on right teams is the importance of aligning people's strengths with their roles. It's one thing to assemble a team of talented people who trust, respect, and appreciate one another; it's another thing to have them strongly engaged and effective. We worked with one analyst team in which a major upgrade was achieved by allowing the industrials analyst and the consumer analyst to change roles. They had each covered the other sector at a prior firm and really had passion for the switch. Results improved after the change.

Trust

The data indicate that trust and right team members are highly correlated¹⁸. We would agree based on experience. When a team has the right chemistry, combined with the right skillsets, plus mutual respect and connection, trust follows naturally ... but not always. We have seen teams in which the members really enjoy the rapport with their colleagues but the trust falters. Usually, trust is missing because of factors like competence (one or more team members are not trusted to deliver quality results) or misalignment of interests (the incentive structure of the firm pits them against one another). More often than not, though, when the right team members are present, trust and good results follow.

Importantly, right team members and trust lead to success with a number of additional factors. If the engine of “right team/high trust” is in place, data show that these communication factors will correlate strongly as well:¹⁹

We have the right team members and ...	
Right Team/High Trust	R-value
Different ideas and opinions are respected	0.682
candor and openness exist	0.873
Open and productive debates occur	0.744
Conflict is addressed and resolved	0.826

N = 28 Firms; p < .01

The logical progression here makes sense. If you are with a team of people who like, respect, and trust each other, then it will be safe to offer up different ideas and opinions. This freedom to express oneself openly is the heart of candor. Good candor leads to more productive debates, as people explore different viewpoints without taking it personally, and without having to be right. All of this leads to the toughest challenge: addressing and resolving conflict. Most teams have difficulty with this challenge because they don't have the other pieces in place. It's impossible to address and resolve conflict in a constructive manner when people become defensive and counter-attack.

Right team and trust also enable other key team factors. In addition to much better communication, they show significant correlations with these factors:

- Growth and development
- Clear decision authority
- Team spirit

The Big Three factors – **Clear Purpose and Direction, Team, Trust** – contribute to high-performing teams. So the \$64,000 question is, of course, which factors drive quality results? If you do the Big Three as instructed, will you get good outcomes? Yes and no. As stated earlier, clear purpose and direction are necessary for success, but not sufficient. You must add the other two factors in order to succeed, or at least to give yourself the highest likelihood of success. The data indicate that the following factors are highly correlated with quality results:²⁰

Right team members	Trust	Common values	Good processes	Clear decision authority
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Two additional factors are associated with quality results, but in our view they tend to fall out from the success and the preceding above. They are:

Strong sense of team spirit and connection	Strong sense of pride in the team's accomplishments
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After all, if the team is winning, sharing common values, and enjoying a high level of trust, you would expect team spirit and pride to be strong.

Building and Maintaining Trust

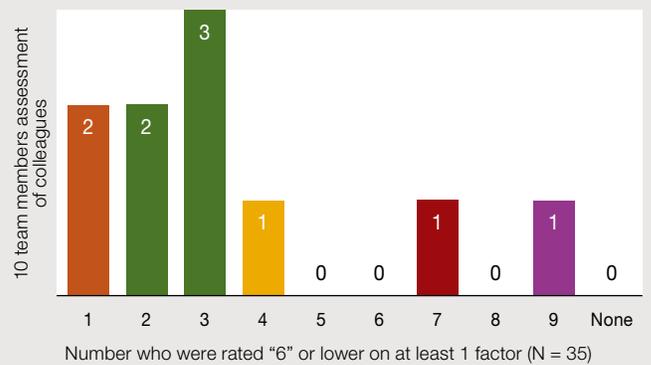
You could argue that purpose and direction, and assembling the right team, are largely leader-dependent. S/he sets the direction, devises a strategy (possibly with help from others), and then chooses a team. The remaining piece – trust – is more team dependent. The leader must certainly contribute by setting an example (i.e., being trustworthy). But the level of trust on the team – even given right team members – can strengthen or weaken depending on the commitment, courage, and competence of team members. From our experience and research on the subject, trust is comprised of six factors, as shown in Figure 7.

Figure 7 Trust factors	
“Trustee” Factor	Description
Alignment of Interests	When people’s interests are completely aligned, trust is a reasonable response. People have both common and unique interests. A good leader will turn critical success factors for the company into common interests that are clear and superordinate.
Benevolent Concern	Trust is an issue not because people are evil but because they are often self-centered. People who shows benevolent concern – who show co-workers that they will put themselves at risk for others – engender not only trust but also loyalty and commitment.
Capability	Similarities, aligned interests, and benevolent concern have little meaning if the trustee is incompetent. Professionals routinely assess capability when deciding to trust or delegate authority to those who work with them. Capability is also relevant at the group and organizational levels (are there processes for fair compensation, uncovering unethical behavior, consistently meeting customer needs, etc.?)
Predictability & Integrity	A person whose behavior can be reliably predicted will be seen as more trustworthy. One whose behavior is erratic will be met with suspicion. Here the issue of integrity comes into play – that is, doing what you say you will do. People who say one thing but do another lack integrity. The result is distrust.

Figure 7 Trust factors (continued)	
“Trustee” Factor	Description
Frequency of Communication	Open and honest communication tends to support the decision to trust, whereas poor (or no) communication creates suspicion. Miscommunication causes employees to feel betrayed, which leads to a greater breakdown in communication and, eventually, outright distrust.
Vulnerability	Being appropriately vulnerable by sharing your reaction to events builds trust. Communicating in a way that takes ownership (“I” statements) rather than blames others (“You” statements). Example: “I feel overwhelmed by my workload” vs. “You’re piling on too much work for me.”

Team members must do a “good enough” job on each of these factors to maintain trust on the team. In our work with intact teams, we describe and explain these factors, then ask team members to confidentially score their colleagues from 1 (poor) to 10 (good) on each factor. Once scored, we ask them to count how many team members they scored 6 or lower on any factor. Finally, we ask them to reveal the number of people they scored 6 or lower by means of a voting slide. An actual result is shown in Figure 8.

Figure 8 How many team members did you score “6” or lower on at least one factor?

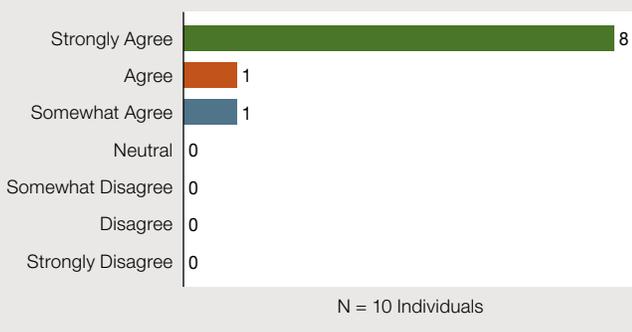


In this case, none of the ten team members said, “zero.” In other words, each team member had at least one trust issue with a teammate. This result is common. FCG has never witnessed a team vote that was perfect; that is, with no trust issues. As you would expect in the messy area of human interaction, things are never perfect. Nevertheless, some firms, while not perfect, have high trust levels, which lead to all the benefits mentioned earlier.

So, what actions do leaders take if they choose to raise trust levels? For example, in the chart in Figure 8, there is a clear need to work on trust. Several steps are involved:

1. Make the case for why trust is so important to performance, as we've attempted to do in this paper.
2. Determine if "right team members" is the problem. FCG has worked with teams where a change in one member was all that was required to raise trust significantly. Why? Often it's because trust is predicated on safety.²¹ One team member can put safety at risk. If that person is hyper-critical or prone to gossip, s/he can make the whole team cautious about open communication and trust.²² Additionally, we've worked with teams where one person simply wasn't in the right role, and the whole team knew it. Whatever the reason, good leaders need to make tough choices so that the team is happy with "its" members.
3. Check for courage and commitment. Is the team willing to do whatever it takes to strengthen trust? In FCG's experience, many trust issues are not addressed and resolved because team members feel that their colleagues will be offended by attempts to fix trust issues. For this reason, FCG created a voting slide to test this hypothesis. We ask the group: "Would you rather be told about a trust issue or remain in the dark?" When stated this way, team members usually respond, "I'd rather be told!" Figure 9 is the vote from the team we introduced in Figure 8.

Figure 9 Vote: I would rather KNOW about trust issues with coworkers than remain in the dark.

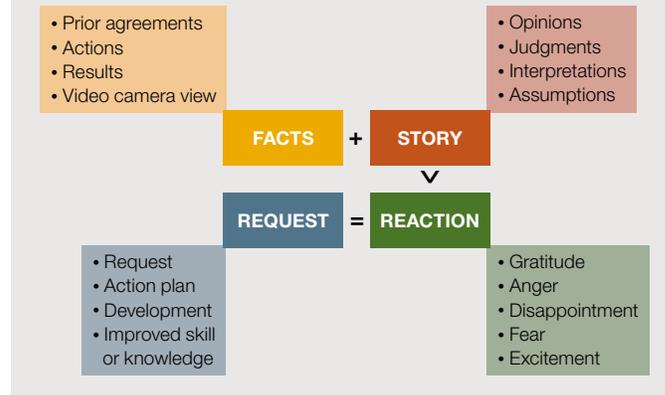


As you can see, all of the team members responded, "Yes, I'd rather be told."

4. Cube it. Educate team members about the best way to have "trust-fixing" conversations. Clearly, there are better and worse ways to address trust issues. Saying to a team member, "Hey, can we talk about some of the sleazeball

things you do, and why we call you 'Slick Willy'?" will not lead to good outcomes. Rather, it's better to give the conversation some serious prep time, using the model in Figure 10.

Figure 10 Trust conversation



The use of the model is as follows:

Facts: Lead with facts, which may require some research on your part – looking through past agreements, checking emails, etc. Gain agreement on the facts; that is, make sure they really are facts! Then share your story with the other person.

Story: Based on these facts, I formed a story, i.e., an opinion. Share the opinion with the other person. Stop. Let the other person respond. *Is your view accurate? What's their view?*

Reaction: Sometimes it's appropriate to share your reaction: "I was concerned" or "I was confused."

Request: Finally, what do you want to achieve by having this conversation? Given that we are discussing trust, a logical request would be, "I want to clear up this misunderstanding so that we have a good working relationship, based on strong trust."

In FCG's experience, the underlying problem in most trust issues is a misunderstanding. For example, one trust issue was caused because a team member's emails were being rerouted into the "Junk Mail" folder. The sender had created a story that the recipient was ignoring the emails. Once the two of them discussed the issue and cleared it up, trust was restored.

Often, if team members are simply willing to explore the issue, they will find that their concerns are unfounded. It's rare that a team member is actually trying to pull a fast one, and hoping to get away with it!

5. Establish trust partners. Given the importance of trust to success, you want to safeguard against problems. The biggest one we've encountered is blindspots. By definition, you won't see your blindspots. (Hence, the name!) So, all of us should be committed to feedback from colleagues. In this case we're suggesting a formal trust partner – someone whom you trust to provide good feedback – so that blindspots don't develop. For example, we know a situation where one team member was especially sarcastic in meetings. Although it often provided humor, many team members felt guarded in the meetings and less than fully trusting around this person. They didn't want to be the target of his biting sarcasm. In this case, one of the FCG coaches pointed out the behavior to the sarcastic person, and the situation improved. However, the same feedback could have been provided by a trust partner on the team. The phenomenon we're describing is a bit like calling for help in a crowd. Research suggests that it is much more effective to point to someone and shout, "Can you help me?" rather than simply to shout, "Help!" Likewise, on a team, instead of assuming that someone will point out my blindspots, it's better to have a designated person who owns that role.

One hope we hold in writing this paper is to encourage teams to do the work of assembling the right team members and building trust. It requires courage, commitment, and competence (skill). And nearly every good team we've worked with has faced challenges where trust was temporarily damaged. But the best teams put egos aside, roll up their sleeves, and do the work of re-establishing trust.

Does It Work?

Always a fair question! If a team enjoys right members and high trust, does it then also enjoy quality results (i.e., success)? Our data suggest that yes, this happens. When we look at the teams that have high quality results scores and then look at their "right team" and "trust" scores, we find the data in Figure 11.

Figure 11 Impact of Right Team Members & Trust on Quality Results

Team	Quality Results/ Rank	Right Team Members/Rank	Trust People on Team/Rank
Top 5			
Firm 1	6.3/1	6.0/5	6.5/3
Firm 2	6.3/1	5.8/8	6.5/3
Firm 3	6.0/3	6.0/5	6.2/7
Firm 4	5.9/4	6.1/4	6.3/5
Firm 5	5.8/5	6.5/1	6.8/1
Bottom 5			
Firm 1	4.2/24	4.3/25	4.0/26
Firm 2	4.0/25	4.1/27	4.6/22
Firm 3	3.8/26	5.6/11	4.0/26
Firm 4	3.3/27	4.3/23	4.2/25
Firm 5	3.3/28	4.6/20	5.5/18

Indeed, the top results belong to the teams that have high scores across both right members and trust, whereas the opposite is true of the lowest scores for results. A chi-square test looking at quality results against right team members and trust confirmed these findings, with the analysis showing there is sufficient difference between Top-5 and non-Top-5 results firms across these factors.²³

So, yes, the hard work of doing the Big Three (clear purpose and direction, right team members and trust) does work. It produces quality results.

Summary

To recap, FCG's extensive work with teams has revealed three key factors of success. The teams that produce quality results get these three pieces right:

1. A clear purpose and direction
2. The right team members
3. A high level of trust

When these three factors are in place, they drive the following outcomes for the team:

Different ideas and opinions are respected

Candor and openness prevail

Open and productive debates occur

Conflict is addressed and resolved

Additionally, these favorable factors are highly correlated with the Big Three:

Growth and development

Clear decision authority

Team spirit

To put it in simple language, a team leader must explain to his/her team: “Here’s where we’re going and why” (**Clear Direction and Purpose**). Using a mountain-climbing analogy, “We’re going to scale this mountain. On the summit, we will find the following valuable items: X, Y, and Z. These items are valuable because There are a variety of paths we could take, and we’ve chosen the Northern one for the following reasons: A, B, C.” Good leaders understand the importance of clarifying the mission (the “why”), the vision (the “where”), and the strategy (the “how”). Make sure all team members understand and buy into all of these.

To achieve quality results (i.e., scale the mountain), leaders must assemble the **Right Team Members**: the right skills, the right culture fit, good chemistry. Cognitive diversity helps considerably. Challenging team members – Red Xs – require leaders to make a “fix it or fold it” decision. Ignoring the problem is a recipe for disappointment.

Finally, **Trust** must be built and maintained. Trust issues will creep in over time, so leaders must “weed the garden.” Watch for trust issues and encourage team members to address them early, while they are small. Blindspots are the biggest derailer. We all need reliable feedback to avoid damaging trust. Formal trust partners can serve a valuable function.

Much of what we’ve said is common sense. The Big Three factors are not mysterious, “new” findings. But we know, based on mathematical rigor and our client experience, that these factors really matter to quality results. The successful firms get them right – and getting them right is the tough part. It requires tough decisions and hard work. We’ve offered suggestions for how to do just that. We applaud the teams that have the courage, commitment, and skill to do it.

Appendix A

24 Factors Contributing to Success

- We have a clear purpose and direction. I know what our team is trying to achieve.
- I know my role on the team and what is expected of me.
- I have the resources I need to do my work well.
- We have the right team members to accomplish our goals.
- I feel valued and appreciated for my work.
- I trust the people on our team.
- I experience a high level of candor and openness on our team.
- I feel fairly paid for my contributions.
- I have clear performance goals that measure my success on this team.
- I receive useful feedback from my leader.
- We have open and productive debates.
- My work allows me to use my talents and abilities.
- My leader encourages my growth and development.
- I feel that my work is important to reaching our firm's goals.
- The team consistently produces quality results; we deliver on our promises.
- The strategies for achieving our goals are clear and agreed upon.
- We have common values and norms that promote good teamwork.
- The team celebrates successes and milestones.
- Conflict is addressed and resolved in a constructive way; we know how to "deal with it" and move on.
- Different ideas, opinions, feelings, and perspectives from all team members are respected.
- Decision authority is clearly assigned; we know who makes which decisions.
- I have a strong sense of pride in our team's accomplishments.
- The team has developed good processes to make us both effective and efficient.
- We have a strong sense of team spirit; we feel a sense of connection.

Appendix B

Figure A

Figure A1 Correlation between: The team consistently produces quality results.	
Success Factors	R-value
Right team members	0.49
Trust the people on our team	0.48
Purpose and direction	0.37

N = 28 Firms; p < .05

Figure A2 Correlation between: We have the right team members.	
Top 5 Success Factors	R-value
Trust the people on our team	0.65
Common values	0.61
Candor and openness	0.59
Team spirit	0.51
Team consistently produces quality results	0.49

N = 28 Firms; p < .01

Figure A3 Correlation between: Trust the people on our team.	
Top 5 Success Factors	R-value
Candor and openness	0.87
Common values	0.83
Conflict is addressed	0.83
Team spirit	0.82
Open and productive debates	0.74

N = 28 Firms; p < .01

Figure A4 Chi-Square Test:
Top 5 Firms/Non-Top 5 Firms on Quality Results & Trust

Count of Team	Column Labels		
Row Labels	Non-Top 5	Top 5	Grand Total
1	4	1	5
2	12	3	15
3	16	2	18
4	18	4	22
5	38	4	42
6	62	24	86
7	14	18	32
Grand Total	164	56	220

Row Labels	Non-Top 5	Top 5
1	3.73	1.27
2	11.18	3.82
3	13.42	4.58
4	16.40	5.60
5	31.31	10.69
6	64.11	21.89
7	23.85	8.15

N = 28 Firms; p-value: 0.000378

Figure A5 Chi-Square Test:
Top 5 Firms/Non-Top 5 Firms on Quality Results
& Right Team Members

Count of Team	Column Labels		
Row Labels	Non-Top 5	Top 5	Grand Total
1	1	1	2
2	5	3	8
3	8	4	12
4	23	3	26
5	33	4	37
6	68	21	89
7	26	20	46
Grand Total	164	56	220

Row Labels	Non-Top 5	Top 5
1	1.49	0.51
2	5.96	2.04
3	8.95	3.05
4	19.38	6.62
5	27.58	9.42
6	66.35	22.65
7	34.29	11.71

N = 28 Firms; p-value: 0.011257

Endnotes

- ¹ See our paper on “Tribes” at this link: <http://www.focusgroup.com/wp-content/uploads/2015/11/Investment-Tribes.pdf>
- ² See Appendix A for a list of all 24 factors.
- ³ Quality results are defined by each team separately because the nature of results relates to a firm’s function. For example, for an investment team, the term refers to superior investment results. For a client-facing team, it relates to client retention and satisfaction.
- ⁴ See Appendix B, Figure A1.
- ⁵ Suzanne Duncan and CFA Institute, *Discovering Phi*, available at this link: http://www.statestreet.com/content/dam/statestreet/documents/Articles/CAR/CAR_Phi_Web_FINAL.pdf
- ⁶ *Ibid.*, pp. 17, 20, 34.
- ⁷ See our white paper “Linking Strong Culture to Success” for more on the Focus Elite, available at this link: http://www.focusgroup.com/wp-content/uploads/2015/11/Linking_Strong_Culture_to_Success.pdf
- ⁸ Gallup, Inc. “How Millennials Want to Work and Live” (2016).
- ⁹ Daniel Pink, *Drive* (New York: Riverhead Books, 2011).
- ¹⁰ Pink, *Drive*, p. 131.
- ¹¹ Simon Sinek, *Start with Why* (New York: Penguin Group, 2011), p. 63. To view the clip, go to YouTube: <https://www.youtube.com/watch?v=IPYeCltXpxw>
- ¹² *Ibid.*, p. 80.
- ¹³ See Figure 7.
- ¹⁴ Thanks to Patrick Lencioni for introducing us to these ideas, which we’ve restated in FCG terms.
- ¹⁵ See Michael Mauboussin and Dan Callahan, “Building and Effective Team”, (January 2014) for more on cognitive diversity. Paper available at: https://research-doc.credit-suisse.com/docView?language=ENG&format=PDF&source_id=csplusresearchcp&document_id=1027591531&serialid=%2BeSRZFAZXAXDxS9Isv8h-6jQCVcQyYenZfVI5smWZpRE%3D
- ¹⁶ For more on the Red X, see FCG’s white paper “The Red X: Managing the Outliers in the Investment Firm” available at: <http://www.focusgroup.com/wp-content/uploads/2015/11/The-Red-X-Managing-the-Outliers-of-the-Investment-Firm.pdf>
- ¹⁷ See Appendix B, Figure A2.
- ¹⁸ See Appendix B, Figure A3.
- ¹⁹ *Ibid.*
- ²⁰ For more on how these factors contribute to performance of top equity teams, see FCG’s white paper, “Top Performing Equity Teams,” available at: <http://www.focusgroup.com/wp-content/uploads/2015/11/Top-Performing-Equity-Teams.pdf>
- ²¹ For more on this, see Google’s excellent research on common factors of high-performing teams at Google, available at: <https://www.nytimes.com/2016/02/28/magazine/what-google-learned-from-its-quest-to-build-the-perfect-team.html?smid=pl-share>
- ²² See Appendix A for the factors relating to trust.
- ²³ See Appendix B, Figures A4 and A5