

What's the Purpose of the CEO's Team? It's Probably Not What You Think



CEOs often tell us nothing matters more than their teams. To this point, they want their teams to be in better sync so they — and the company — can move faster and make more progress on their key objectives. Their teams, meanwhile, tell us they feel overworked, overwhelmed and unsupported. In most cases, team members tell us — privately — they feel more like a collection of individuals than a “real” team. They struggle to balance delivering on their day-to-day responsibilities with the need



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to monitor rapidly changing business conditions and position the business to effectively respond. Our experience working with teams over the last two decades has clarified for us that teams with a clear-eyed understanding of their purpose are more effective at maintaining that balance and are higher performing.

A vital component for aligning the top team — according to all leadership research — is having a common purpose. But what does that mean in practice? In our work with teams, and in our review of hundreds of case studies, it is clear how often the top team's purpose becomes confounded with the CEO's goals for the business — increasing sales or efficiency, cutting costs or expanding into new markets. On one level, this makes sense: the leadership team, of course, has a role to play in enabling those goals. However, the team's *unique* purpose is different.

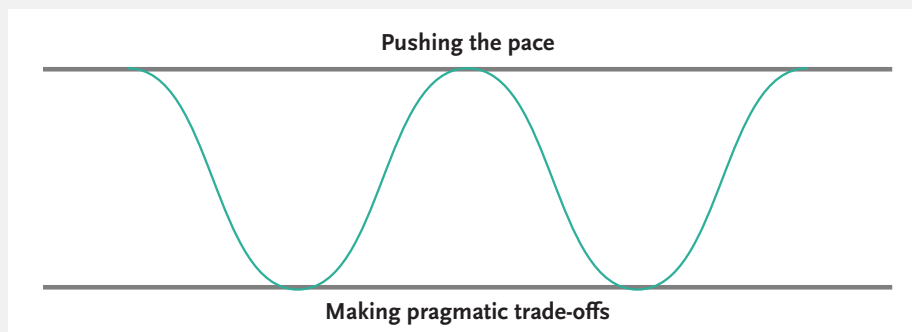
To test our hypothesis about the importance of a unique purpose — separate from the goals for the business — we interviewed CEOs who have led multiple top teams over their tenure, and what we heard echoed the same theme:

While the CEO's team has clear responsibility for driving the business objectives, the leadership team's unique purpose is to optimize the enterprise's ability to drive outstanding outcomes by:

- » **Pushing the pace** — setting ambitious goals, exploring new horizons, thinking of the long term and, at the same time,
- » **Making the pragmatic trade-offs** — prioritizing time and resources, maintaining a disciplined road map, making decisions for the benefit of the enterprise, while managing one's own function.

Finding the right balance

Top teams need to both push the pace by monitoring the external and internal conditions and setting bold goals while making the pragmatic trade-offs based on limited time and resources. The best teams are able to do this on an ongoing basis.



The need for “optimizing” the enterprise arises from the reality of capacity constraints and conflicting objectives, and the inherent dance between pushing what’s possible and what’s achievable. The reality is that most CEOs have outstanding ambitions about what’s possible, but limited resources. When the two ends conflict, this is the group — the only group — that can set priorities for the company and resolve the cross-functional trade-offs. It is the very definition of “shared leadership.”

While it may seem obvious that members of the top leadership team must share ownership for setting enterprise objectives and making the necessary trade-offs to execute them, we — unfortunately — have found in our work with CEOs and their teams that few teams operate this way. In most teams, individual leaders oversee their specific business units and functional areas, they look to the CEO to make all the decisions, and the team comes together to report on status. This is a form of “[upwardly delegating](#).” And, even worse, silos pervade!

This typical leadership model constrains teams in several ways. Given the complexity of organizations and the pace of change, CEOs can't know all the potential risks and trade-offs for every decision. Furthermore, when CEOs take responsibility for directing all the decisions of the team, there inevitably will be “winners” and “losers,” as optimizing a decision for one function or business almost always means fewer resources for another. And when every decision has to go through the CEO, teams and organizations are less agile.

The CEOs we interviewed shared with us what they have learned about the importance of defining the unique purpose of the team and its link to performance.

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Setting the pace

Complacency is a risk for all teams and organizations. Our research has found that reinvention is vital to sustaining company performance, and CEOs who are successful over the long term learn to reinvent themselves and their companies at a pace that is as fast as the world is changing. These CEOs are best positioned when they can rely on their teams to absorb information about what is changing in the internal and external context and, together, translate those developments into new ideas for the business and ambitious goals — pushing the pace.

Too often, though, we hear from top teams that they are so busy running the business day to day — with all the associated challenges and demands — that they don't do this kind of listening with sufficient frequency, urgency or depth. Individually and as a group, members of the leadership team have an obligation to step away from “business as usual” and carve out time to explore the external trends that could impact the business and assess the internal developments that they may need to respond to. They need to develop their pattern recognition at the enterprise level to be able to differentiate accurate and meaningful information from meaningless “noise” and place the right bets for the company's future. As one CEO told us, “I want my team to be more focused on true leadership issues and not be so much in the weeds. That gives us more time to stay on trend, to be more innovative, to help clear roadblocks and not to get caught in reaction mode.”

The annual strategy and forecasting sessions are natural points to discuss emerging patterns, challenges and opportunities. But given the complexity and pace of change today, once- or twice-a-year conversations are insufficient. Teams must be ready to switch their attention from daily execution to strategic listening at any point as new challenges arise — a spike in inflation, new geopolitical risks, an emerging technology — and incorporate this type of thinking into their regular routines.

Optimizing the enterprise

The following questions can help top teams reflect on how they are managing the pace and making the necessary trade-offs.

» Pushing against complacency

- Are we paying enough attention to external dynamics and trends?
- If resources were unlimited, what would we attempt?
- Are we thinking in a long-enough time horizon?
- How are customer needs evolving, and where is customer behavior going?
- Where are our risks for disruption and displacement in the market?
- What talent and workforce trends could impact our ability to attract, retain and develop the people we need for the future? What do we need to do to prepare?
- What capabilities should the organization be developing for the future?

» Considering trade-offs

- What is our framework for judging whether new ideas will actually move the needle for the business or be a distraction from our true priorities?
- If we say “yes” to a new strategy, program or initiative, what will we say “no” to?
- Does our culture support our ability to achieve our business objectives or serve as an impediment to progress? What do we need to change?
- What would have to be true for this idea to be a good one?
- What information do we need to know to decide?
- Who is accountable for vetting an idea?



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Prioritizing and making trade-offs

Pushing the pace is about expanding what's possible — but the CEOs we spoke to were clear that the team's role can't simply be to “dream big.” Conceptual thinking and exploring new ideas can be energizing for leadership teams, but it can be confusing and frustrating for the organization when leaders do not prioritize initiatives and manage trade-offs. The counterpoint to a leadership team's obligation to explore and make big bets on the future is its responsibility to make the pragmatic trade-offs — prioritizing time and resources and maintaining a disciplined road map — to achieve those ambitions and drive performance. “There's always a relentless quantity of strategic and tactical decisions that have trade-offs to them, and you need to have a united group with people who are very capable in their job to make the right trade-offs,” one leader told us.

The CEOs we interviewed talked about the need to keep the organization focused.

Said one: “Leadership teams have to stay focused on the North Star and avoid the shiny-object syndrome. They stick to the core, making the tough decisions and then constantly ask people to prioritize their biggest challenges, the constraints in the business and biggest opportunities. Are they aligned? Are we removing roadblocks? It's about constant prioritization.” The skill of making trade-offs and decisions on where to invest and what to deprioritize helps optimize outcomes for the company.

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Embracing their unique purpose

To ensure companies not only keep up with, but also profit from, the pace of change and the wider range of variables that are increasingly relevant to their success, CEOs must be able to rely on their teams to bring a full range of internal and external perspectives to the table for the benefit of the enterprise. This level of engagement best positions the team to activate its unique purpose: optimizing and enabling enterprise-wide possibilities through enterprise-wide trade-offs for practical performance. As one CEO described, “I like to think it's a collective feeling around enablement and leadership. That's the prime directive here. The thing that we can do that no one else can do is drive the strategy in the business. The decisions around that, the planning around that, the infrastructure around that, that's what this group does.”

Having established the importance of this unique value of the top team, the CEOs we spoke with also shared their candid perspectives — and lessons learned — on the critical characteristics they cultivate within their teams to deliver on their purpose. In part II of our series on the CEO's team, we will expand on the conditions that enable top teams to think big, stay aligned and manage the necessary trade-offs for the company to thrive.





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