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What Ails Corporate Executive Committees?

Fragmentation among top leadership teams is widespread. CEOs should pay heed – and sharpen their most important strategy execution tool.

Alexander Hamilton, one of the United States' founding fathers, famously called energy the most important characteristic of the executive branch of government. "A feeble Executive implies a feeble execution of the government," he said in the *Federalist Papers*. "A feeble execution is but another phrase for a bad execution; and a government ill executed, whatever it may be in theory, must be, in practice, a bad government."

Contemporary corporate CEOs should heed Hamilton's warning. No matter how capable CEOs might be, they need the help of a trusted team: an executive committee of senior managers who report directly to them, meeting regularly to help shape the collective work of the enterprise. CEOs and their excos are the veritable energy reactors of organisations.

However, my counselling experience indicates widespread dissatisfaction with these committees among both leaders and members. **Research** shows that the problems faced by excos are so widespread that effective teams are rare, and work well only when they fit the CEO's leadership style.

Divided we fall

To analyse the causes of executive committee dysfunction and propose remedies, let's first look at what separates them from teams lower in the hierarchy. For one thing, excos operate where strategic uncertainty is highest, making decisions that cover a range of external contingencies from economic (main clients and suppliers), political (e.g. relationships with governments) to social (e.g. Black Lives Matter movement).

It follows that executive committees grapple with complex decisions and tasks for which there might be no established rules and routines. Individual values and styles therefore play a crucial role. But the flip side is that differences among members might be difficult to reconcile. Meanwhile, both the substance and symbolism of the team's decisions are watched closely by the rest of the organisation.

What does an underperforming, even dysfunctional executive committee look like then? There are four common symptoms, top of which is *fragmentation*. Exco members have two concurrent roles: full-time head of business or functional units and part-time exco member. The former function often overshadows the latter, turning excos into a mere collective of senior executives pursuing their own agendas, with little cohesion or collaboration.

Bigger problems ensue when the CEO, hobbled by a fragmented and problematic team, makes decisions in isolation to avoid conflict. *Avoidance* also takes the form of exco members systematically evading confrontation among themselves. I have often seen executives going through the motions at exco meetings without tackling any controversial issues, trying to avoid retaliation and certainly not asking for help. They just want to appear positive during their "air time" and for the session to finish as quickly as possible.

The third problem is that, even today, many senior executives have built their careers on being non-consultative and *individualistic* – a style not so compatible with the teamwork needed in an executive committee. Associated with such individualism is *rivalry* for the top job. Competition among senior executives for the CEO job may undermine collaboration before succession and even after, due to lingering animosity.

Building a better executive team

The most fundamental rule of the design of top management teams is the primacy of the CEO. Richard Hackman, a prominent expert on teams, and his co-authors observe in their **book** *Senior Leadership Teams: What It Takes to Make Them Great,* "there is no fixed set of steps to follow in structuring, launching, and leading senior teams…great leaders draw on their particular skills and preferences to create these conditions in ways that are tuned to the unique circumstances in which their team operate."

Quoting Tom Wilson, CEO of Allstate, corporate consultant Bob Frisch likewise emphasises the CEO's role in his book: "Ed Brennan (the late CEO of American department store chain Sears, Roebuck and Co.) told me that an organisational structure should be based on who you are – what your personality is as a leader. I used to think that was wrong, but now I realise that's the only way an organisation can function."

CEOs may find the following recommendations on creating and running executive committees helpful. First, the formal exco should comprise executives that support the CEO in decisions that are critical, strategic and integral to the organisation. When that is not possible – since new CEOs often inherit a team – leaders may consider having an ad hoc team or even a "kitchen cabinet" of trusted executives for key decisions. More extensive groups with open and evolving membership can focus on counselling, generating ideas and other functions.

Second, excos should have only five to eight members. Any bigger, like the 20-member boards of some commercial banks, would only render it sluggish.

Third, remember that excos are not representative but decision-making teams. Instead of including all heads of business units or functions, it should only comprise those with a generalist purview and organisational integration capabilities. Others may be invited to sit in at meetings for specific issues.

Fourth, the top team should adopt different decision-making methodologies depending on the issue at hand: consensus for non-critical topics, dialectic for strategic debates and so on.

Fifth, executives should be evaluated and adequately compensated for their exco contributions. Having "skin in the game" would induce them to take the organisation's perspective rather than pursuing parochial interests.

Sixth, CEOs could use the executive committee to identify and groom potential successors or to fast-track the careers of the most promising members. For instance, members could take turns to chair meetings for non-critical issues.

Finally, and by no means the least important recommendation, increase **diversity** at the top. Fully **a quarter of Stoxx Europe 600 leading companies do not have any woman** in their executive board or committee. This will soon change, at least in Germany, which is introducing a **mandatory quota** for female representation in listed firms' senior management. Legal and ethical considerations aside, diversity in top management has also been shown to be **good for innovation and the bottomline**.

To lead with energy, CEOs cannot bank on their sheer force of personality and talent alone. Well-constituted executive committees attuned to CEOs and the needs of the organisation can prevent the executive from ever turning feeble.

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