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High-impact CEO teams:
Managing executive polarities to create high-performing senior teams

CEOs and their teams, by virtue of their apex positions, exert a profound impact on the performance and health of their enterprises. At Deloitte, we are fortunate to engage with many of these leaders and this exposure provides us with insight into the conditions, mindsets and behaviors that prevail within executive teams – also referred to as C-suites, senior leadership teams and executive committees. Critically, it also enables us to observe how these human dynamics can have a positive or negative impact on the enterprises and their stakeholders.

The volume of guidance for CEOs and other business leaders grows by the day, but its quality, rigor of thought, and practicality or applicability can vary enormously.

Many of the conventional models and frameworks that are available to help CEOs understand what makes an effective team tend to confuse or conflate inputs with outputs. For instance, they typically assert that high-performing teams are innovative, continuously learning and improving, and have team members that are clear about their roles and enjoy relationships based on trust and respect. While it is true that successful teams display these characteristics, we would argue that they are all largely outputs – the result of getting other things right, such as creating an atmosphere of psychological safety and valuing honesty and constructive challenge. In addition, much of the published guidance focuses on teams in their broadest sense and does not take account of the nuances and complexities, pressures and responsibilities of operating at the executive level.

It is also worth remembering that while executive teams have the potential to exert huge positive impact on their organizations, the converse is also true: when executive teams are misfiring, dysfunctional or making poor decisions, the impact can be devastating.

We have taken our practical experience of what really matters – and what really works – when supporting executive teams across industries and geographies and combined it with research and thinking from other fields to develop a framework that helps executive teams become more effective and impactful. This article introduces the main aspects of our framework. A second article will describe the qualities that CEOs need to cultivate and suggest some actions that they can take to enable the framework to work optimally.

Polarities to manage, not problems to solve

CEOs and their executives constantly wrestle with how best to spend their finite time and allocate the scarce resources at their disposal to address the myriad opportunities, issues, and risks that they and their enterprises face. For this reason, the idea that there is a straightforward solution out there to resolve every issue can be seductive. And, having alighted on what they believe to be 'the answer', it is not unusual for senior leaders to determinedly pursue it. For example, the quest for profitable growth: in response to declining profit, we observed a newly appointed CEO deploy an expensive and all-consuming transformation program to take the business into new markets, products, and ways of operating. Unfortunately, he implemented this strategy without understanding or respecting the culture and values that had made the enterprise successful in the first place. As a result, the transformation program stripped away what was good and working effectively; it did not deliver the hoped-for impact; and the CEO lost his job.

The first and most significant error the CEO made in this example was to treat the issue of declining profitability as a problem in need of a solution rather than as the symptom of a polarity, in this case the need to innovate and evolve while simultaneously staying true to the organization's DNA.

A polarity – also known as a paradox or false binary – is a pair of goals that may at first appear to be incompatible or contradictory, but which are, in fact, interdependent; each has benefits and drawbacks (see figure 1). Both are needed over time to create positive results and achieve sustained high performance. Polarities do not require solutions but ongoing and thoughtful management.

The existence and importance of polarities is well-established by psychologists and organizational scientists, who have found that people who learn to embrace, rather than reject, opposing or competing demands show greater creativity, flexibility and productivity. Indeed, studies of Nobel laureates, world-changing scientists and award-winning writers have shown that they all have one thing in common – a 'paradox mindset'.

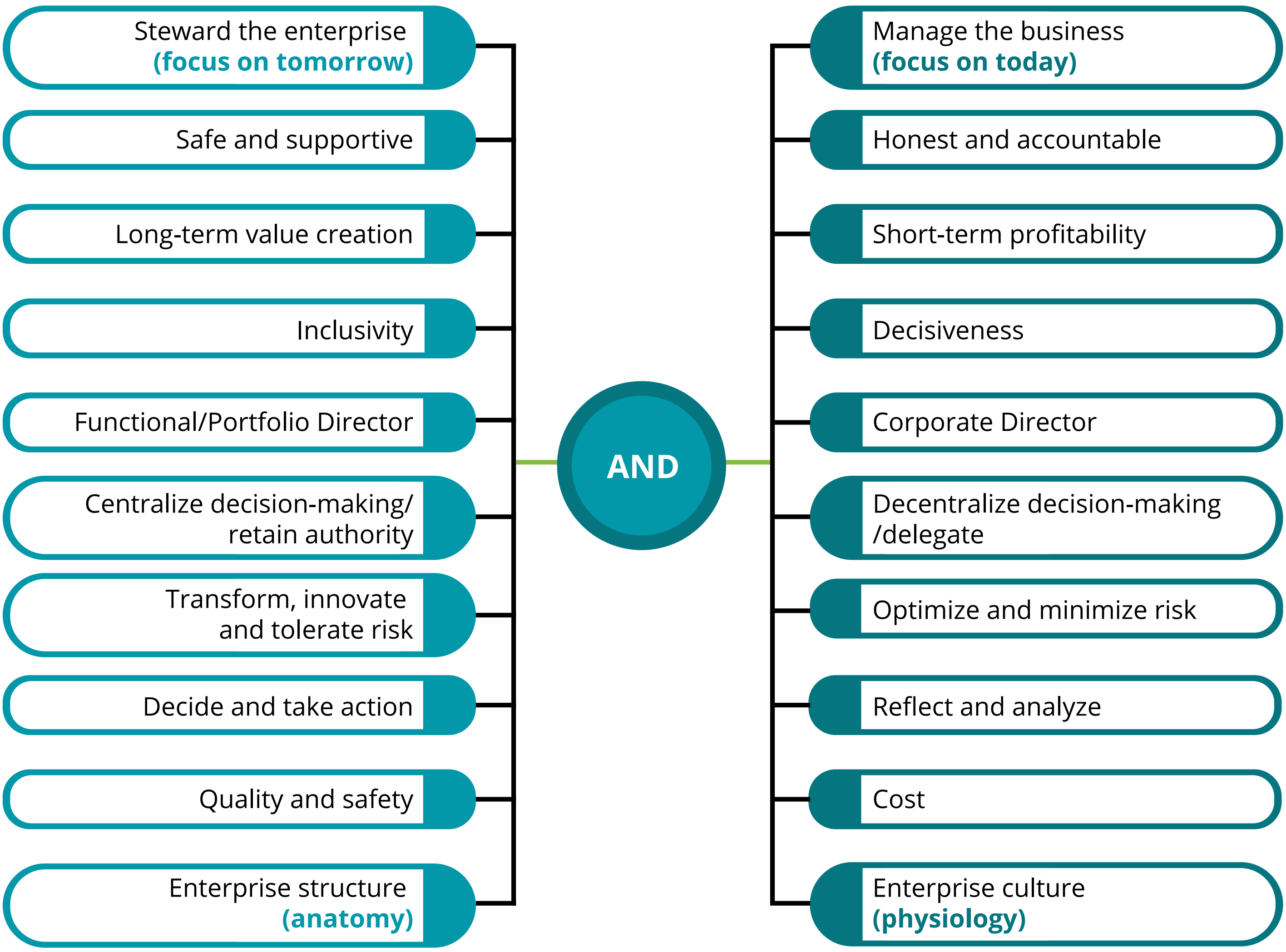
> ***"The test of a first-rate intelligence is the ability to hold two opposed ideas in mind at the same time and still retain the ability to function."***
>
> **F. Scott Fitzgerald**

Some of the most famous and consistently successful brands in the world have paradoxes at the heart of their corporate culture. For example, Toyota embraces the dual goals of maintaining stability while encouraging constant reform, and Apple emphasizes design innovation and quality alongside extreme operational efficiency.[1]

[1] For further exploration of this topic see the excellent article by Loizos Heracleous and David Robson at www.bbc.com/worklife/article/20201109-why-the-paradox-mindset-is-the-key-to-success.

We have outlined some common executive polarities or 'false binaries' in figure 1 and encourage readers to examine how they apply to their own enterprises. Clearly, their applicability will vary depending on the scale, maturity and purpose of the organization but CEOs and other senior leaders need to recognize that these are continuing polarities rather than finite problems demanding resolution. To navigate their nuance and complexity, leaders need to manage the innate push and pull between them and achieve a state of dynamic equilibrium over time.

FIGURE 1:
Common Executive Polarities that CEOs and their teams need to manage



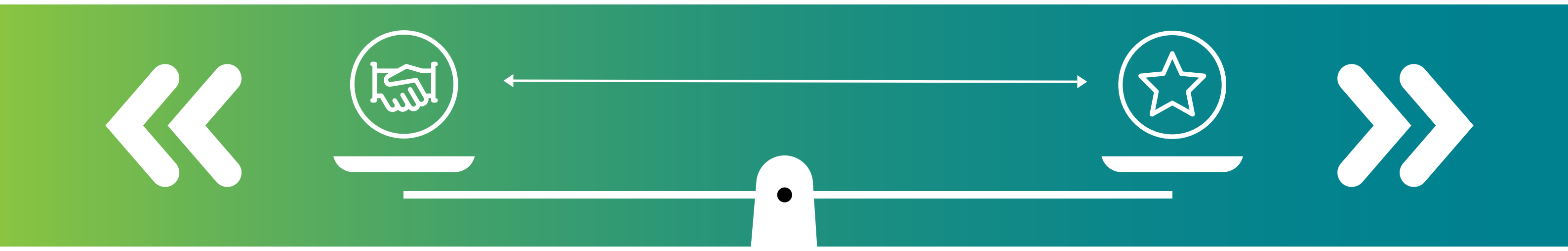
Two key executive polarities

In our work with executive teams, we have found that the most-consistently successful CEOs and their teams pay particularly close attention to, and manage and keep in balance, two key polarities. This article explores the characteristics of managing each end of those polarities well and the drawbacks of overemphasizing one end to the exclusion of the other.

Polarity 1: Team dynamics

The most-successful CEOs that we work with talk a lot about the power of teams and of how the most significant predicator of organizational success is the way their own team operates and behaves.[2] The first polarity relates to creating a dynamic within the team and beyond that is safe and supportive while also encouraging conversations that are challenging and accountable. The characteristics that are associated with managing this polarity well are described in figure 2.

FIGURE 2 - TEAM DYNAMICS: **Safe and Supportive - Honest and Accountable**



Safe and Supportive[3]

- My skills and talents are valued and utilized by this team
- No one in this team would deliberately act in a way that undermines our efforts
- If I make a mistake in this team, it is not held against me, and we learn from it
- I feel able to raise problems, risks and tough issues even when I don't have a solution
- I feel supported by the leader of the team and my peers
- We never reject others for being different
- This team listens to all points of view
- I will say if I don't know or understand something
- I am comfortable sharing big and bold ideas in this team
- We individually prioritize this team despite the many pulls and pressures we have

Honest and Accountable[3]

- We expect candor, even if it creates some social friction
- We don't hesitate to express concerns about practices or behaviors that are detrimental to the team or the values and ethics of the enterprise and take corrective action immediately
- We make decisions based on transparent, objective data and facts rather than on individual opinions, position, or egos
- We have a culture of honest debate where people are expected to provide and receive constructive scrutiny and challenge of their ideas, proposals and points of view, even when doing so may feel uncomfortable or exhausting
- We hold one another accountable for the promises and commitments that we have made
- We do not leave issues and differences to fester - we raise and work through even the most challenging issues
- We are expected to explain our actions or inaction

[2] See *Into the driving seat: Navigating the CEO journey* available at deloitteacademy.co.uk

[3] Adapted from *Why innovation depends on intellectual honesty.* Dyer, Gurr, Lefrant, Howell. MIT Sloan Management Review. Spring 2023.

Team dynamics (cont.)

In our experience, CEOs tend to have a bias, conscious or otherwise, towards one end of this team-dynamics polarity over the other. Their bias may stem from their personal style and/or beliefs about what makes a senior team effective and what can make it dysfunctional. But if this bias is allowed to shape how they appoint and develop their team, there is a risk that they prioritize developing and maintaining a team climate that is safe and supportive over one that is challenging and accountable or vice versa. This is a problem because, as we have seen, successful CEOs need both these qualities in their teams. If the polarity is not managed well, there are downsides that can be predicted.

An **overly safe and supportive team dynamic** can lead to the following downsides:

- A lack of urgency or pace: deadlines being missed, and decisions not being implemented
- Executives not preparing sufficiently for meetings
- Issues of poor or declining quality becoming prevalent and, with the passage of time, crises emerging
- Poor performance being explained away, and conflict being avoided
- Executive priorities lacking clarity, with roles and responsibilities either being ill-defined or overlapping
- Tolerance of bad behavior or behavior that is inconsistent with the enterprise's values
- A lack of risk management and due diligence
- One or two executives dominating and groupthink emerging; a climate of "toxic positivity" prevailing in which dissenting views are dismissed or invalidated and replaced by false reassurances.

An **overly challenging and accountable team dynamic** can lead to:

- Executives burning out and, as a consequence, executive retention and recruitment becoming an issue owing to a poor reputation in the market. This in turn leads to a loss of corporate memory and significant delays in key projects and initiatives being implemented
- Challenge being perceived as personal attack, leading to executives keeping their heads down or taking action to defend and protect their reputations
- Reluctance to be honest and open; executives becoming wary of sharing bold ideas or revealing what they do not know or understand with one another. They may even begin to downplay or conceal evidence of potential or actual problems. All of this may allow risks and vulnerabilities to crystalize
- Decisions being constantly re-examined and never finalized resulting in a lack of alignment, momentum and progress
- Passive aggressive behaviors prevailing. For example, executives may agree to an initiative in a meeting but then not openly support it or do anything to progress it outside the meeting
- Covert alliances or factions between executives emerging, leading to a sense of a 'group within a group'
- Change, innovation and creativity drying up
- Information paucity or information overload, both of which lead to poor decision making

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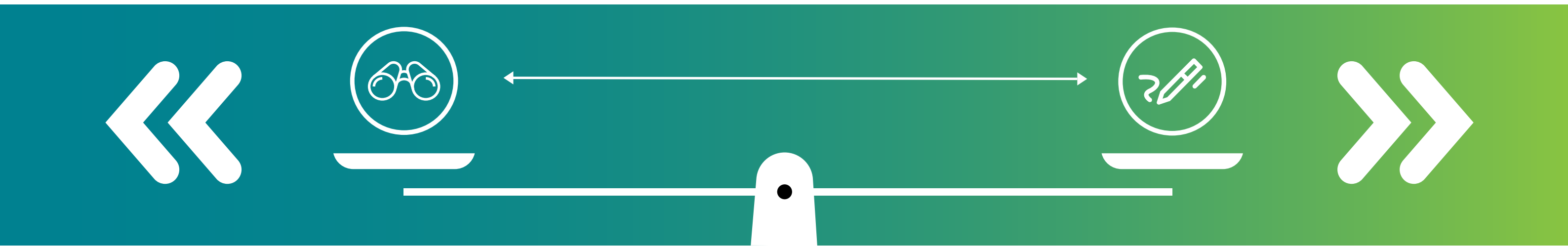
Polarity 2: Enterprise Leadership

The second key executive polarity that CEOs and their teams need to manage concerns the overall leadership of the enterprise, specifically providing stewardship while also managing the business. As one experienced CEO client recently remarked to his newly appointed team: *"We will be successful if we consistently work both ON the business and IN the business"*. The characteristics that are associated with this polarity are described in figure 3.

FIGURE 3 - ENTERPRISE LEADERSHIP:
Steward the Enterprise - Manage the Business



Steward the Enterprise

- We are clear and aligned on why this enterprise exists and the reasons why this enterprise has been successful to date
- We are clear and aligned on the enterprise's overarching vision and priorities, what success looks like for each and how they will be achieved
- I can describe how my role and responsibilities and those of my peers enable the purpose, vision and priorities of the enterprise to be progressed
- We listen to, and engage meaningfully with, our stakeholders, especially our people, customers/clients and Board
- We are regularly horizon scanning to spot strategic opportunities and risks and new ways of operating
- The values and ethics of the enterprise are clear and are role-modelled by all members of this team
- We have the capabilities in place for this enterprise to grow and to be successful long into the future
- Individual incentives and rewards are aligned to the purpose, priorities and long-term viability of the team and the enterprise
- We are constantly learning as a team and innovating, drawing on diverse perspectives to challenge our thinking and inform our decisions
- We demonstrate collective ownership of leadership team decisions

Manage the Business

- We have a track record of delivery. We have action plans in place that we monitor through to implementation and hold one another to account against
- Meeting practices are aligned with our priorities and risks, and we make effective use of time
- We have a relentless discipline around managing the basics of the business well
- Effective executive governance processes and management information are in place resulting in robust and timely oversight and decision-making
- We understand the differences between assurance, reassurance and assumption and apply these concepts appropriately in our management of the business
- We do not let the need to respond to urgent issues distract us from delivering our core business
- We identify, track and mitigate the key risks to our business well
- We do not lose sight of major developments, seeing them through to closure
- We ensure that effective controls are in place to keep the business safe

Enterprise leadership (cont.)

In our experience, CEOs do not always get the balance between stewarding and managing right. In particular, we have found that CEOs who were appointed during a period of stagnation or even crisis for the enterprise are at risk of majoring on one end of the polarity at the expense of the other.

Prioritizing stewardship over management of the core business can lead to:

- Poor performance against key KPIs
- Deadlines being missed and the proclaimed benefits (including ROI) of transformation program(s) not materializing
- A lack of discipline around core business processes such as cash management
- Challenges in maintaining quality and safety standards
- Violation of compliance and regulatory requirements
- Declining market share due to the business being distracted by transformation efforts

Prioritizing management over stewardship can put enterprises at risk of the following:

- A lack of direction and sense of purpose
- Failure to spot and manage strategic risks
- Inability to capitalize on strategic opportunities
- Potential ethical breaches and consequent reputational damage
- A struggle to innovate, change and to integrate new businesses
- Becoming stifled by compliance and ceasing to review or challenge the controls in place

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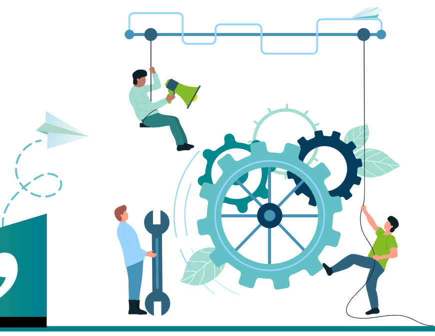


Overdoing it

In the worst cases, CEOs and executives who overly focus on one end of a polarity at the expense of the other end-up experiencing the very opposite of what they are trying to achieve.

Take for example a CEO we worked with who headed-up a large, multi-national enterprise. He became CEO at a time of negative growth for the business. His predecessor was seen as 'soft' and overly trusting by the Board. So, the new CEO, picked by the Board to inject pace and shake things-up, came into the enterprise with an overly challenging and even aggressive approach. He was aiming to inject a sense of urgency, get key initiatives back on track, and bring greater transparency. Over time, his executives became reluctant to be open and honest with him since telling the truth would often result in a barrage of what they perceived as personal criticism rather than constructive challenge. Consequently, key executives resigned, creating capacity and knowledge gaps which, in turn, meant that key initiatives fell further behind budget and schedule.

In addition, by selecting a new CEO who was very different in character from the previous one, the Board was demonstrating something else that we often notice: the natural human tendency to believe that the answer to your problems is the opposite of what you have at present. While it may have indeed been true that the new CEO needed to challenge and hold people to account more than their predecessor, this should not have been at the expense of having a team dynamic that was safe and supportive – both are needed to be successful.

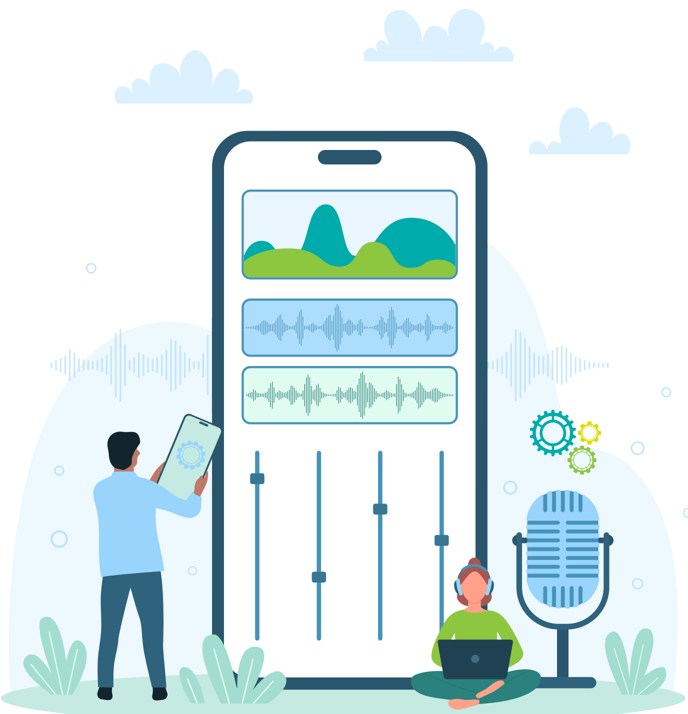
Perhaps we should not be surprised that this happens given the large volume of research and thinking that supports its occurrence.[4] The writer and philosopher, Aldous Huxley, coined the term 'Law of Reversed Effort' remarking that, *"The harder we try with conscious will to do something, the less we shall succeed"*.

In this article we have outlined the key elements of a framework that is designed to help CEOs and their teams understand this duality, and the symptoms of imbalance. The framework is born out of our experiences of working with CEOs and their executives and it draws on scientific research and thinking that are not conventionally associated with building effective teams in business.

We would highlight two key lessons that senior leaders should take away:

01 Be open minded and curious about the polarities that may be operating in your enterprise. Before you believe you have a fix for a problem, consider whether in fact you are dealing with a polarity that has tipped out of balance and, as a result, is giving you only headaches and not benefits

02 Consciously manage the polarities that are the most important to your business, resisting the urge to overemphasize or invest in one end over the other.



Ultimately, the goal should be to achieve a dynamic equilibrium in executive polarities, but it is important to recognize that this does not mean finding the right balance and sticking to it. As conditions, teams and goals change, the balance between polarities also needs to flex, sometimes favoring one end, sometimes the other. Think of it like adjusting the bass and treble when listening to different kinds of music – rap or rock versus classical or jazz. The leader's role is to adapt their own style and establish a balance that is right for the time, and to be ready to adjust when circumstances change.

[4] For further elaboration on this topic see https://bigthink.com/neuropsych/law-reversed-effort

We hope you have found this article useful and thought-provoking. In our second article in this short series, we will outline the conditions that CEOs can establish to best manage the key polarities of team dynamics and enterprise leadership.

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