Elite Ensembles
or Random Ramblings?

Andrew MacLennan examines the strategic decisions of senior teams

Do you remember taking your first few steps into organisational life, perhaps as a school leaver or on a glittering graduate management programme? After meeting new colleagues and finding your feet, your organisational knowledge would start to grow. What first just felt like a job would have become a role within a team, perhaps within a department, itself part of a much bigger empire. You may have been assaulted by a formal induction process explaining how everything fitted together, or have been left to figure it out for yourself. Either way, you would soon have identified groups of 'strategic decision-makers' within the organisation – perhaps your department's 'leadership team' or the organisation's 'executive management committee'. There may have been several collections of worthy individuals named on organisation charts or talked about earnestly by colleagues.

At first, you probably held these senior teams in high regard, assuming they were wise, experienced and successful managers who knew what they were doing – crafting strategies that shaped the organisation and its destiny. However, unless your organisation was truly special, before long this rosy view will have been challenged. You might have been surprised by a colleague's accusation of ineptitude on the part of the hallowed strategists. At first, you will have wondered if this was some misunderstanding or undue cynicism. However, over time you are likely to have observed that many senior teams do make bad strategic decisions – that the 'experts' are fallible. The occasional business disaster or unceremonious firing of senior executives may have cemented this notion.

You may now be in one of these senior teams or work very closely with them. The insights gained from such experiences are likely only to have complicated the picture. Some teams seem to perform very well and make great decisions; it's an embarrassment to be part of others. Some ineffective teams are seemingly made up from highly talented individuals – a confusing conundrum indeed. Some teams agree on a great deal in energetic meetings, but routinely fail to implement their decisions because so many individuals unwind the 'agreed' plan as soon as they step out of the meeting room.

At first glance, the empirical research supports this rather unflattering view of senior teams. One study that tracked strategic decisions in North American organisations found that more than half of them failed, many being discarded before implementation commenced[1]. This is worrying, because senior teams make fundamental choices on behalf of their organisations. Strategic decisions typically trigger events that are very costly, risky and hard to change. They have long-term implications for organisational success and survival – not to mention shareholders, customers, employees, suppliers and other stakeholders. So what is going on? Is there an explanation for the patchy reputation that senior teams have when it comes to making strategic decisions?

Firstly, it's important to say that assessing the decision-making performance of senior teams is not easy. The more senior the team, the more levers it can pull in attempts to drive up performance across wide organisational domains. Having such power and scope means that connecting actions to outcomes is very difficult. The outcomes of senior teams' infrequent, unrepeatable decisions are very difficult to disentangle from random events – making their performance tricky to assess. That said, some researchers have found interesting links – for example, the aggressiveness of senior teams in pursuing strategic change is positively associated with financial performance[2]. But most research examines relationships between more observable team characteristics and behaviours, and does help to answer some key questions.

Are senior 'teams' really teams?

It is pretty common to hear someone remark that his or her 'team' is not really a team – but just a group. It's an intuitively appealing distinction, but of course reality is a little less polemic. Researchers have explored whether senior teams develop group mental models that are distinct from those of individual team members. It seems that in most senior teams, individual mental maps and beliefs do overlap in some respects but not in others[3]. Whilst having some common beliefs is important, so is diversity and a team's ability to draw upon its collective beliefs (i.e. the combined beliefs of all team members, whether or not common to all of them). Perhaps senior teams should focus on agreeing how to work effectively together, but be less troubled by different mental models of how their organisations operate and perform.

Do senior teams ever agree on their decisions?

A senior executive once confided about his team, "We rarely agree round the table on anything, and when we do, we don't really." Many senior team members will feel the same way – that consensus is difficult to produce and there is always a lingering uneasiness it is an illusion. However, research confirms that under certain conditions, levels of consensus rise greatly. Unsurprisingly, decision consensus appears to be positively related to team homogeneity and high social integration[4] and also to small team size[5]. It is also more likely to occur in teams operating in stable[6] and uncomplicated environments[7] – evidence perhaps challenging the notion that a 'burning platform' will pull everybody together. There is also evidence that dominant CEOs tend to build homogenous teams with strong dominant paradigms[8], reflecting the commonly made observation that a leader has 'surrounded himself with people like him.'

Should senior teams agree on everything?

Consensus amongst senior team members is not necessarily desirable. Many contrarians will have been beaten up or even expelled by the teams they have joined, only to have been proven right by the passing of time. Those prepared to go against the grain can save the day when 'groupthink' takes over – if the team allows. Certain conditions provide a more hospitable environment for constructive challenge and disagreement. It seems that larger and more diverse senior teams identify and evaluate a greater range of feasible strategic options[9] and 'cognitively diverse' teams display better problem-solving skills[10] and innovativeness[11]. The risks of strategic inertia and resistance to change are obviously reduced under such circumstances. On the other hand, there is some evidence that high team consensus helps organisations pursue growth and diversification strategies[12]. Other research found a positive relationship between team consensus and organisation performance[13], but perhaps this simply highlights that it's

easy to agree when everything's going well. What does seem important is that teams agree a decision-making process that accommodates and makes the most of differing views. Agreeing to disagree but nevertheless support one another is as important round the board table as it is round the family dinner table.

Do senior teams recognise the need to change strategy?

History is littered with examples of senior teams that – as those with hindsight would have it – missed or ignored the critical signs that radical strategic change was needed. Often we are told of a business that 'did not see it coming'. The research in this area is a little less concrete. Lots of studies suggest that

> "You would be horrified if your doctor prescribed a drug without examining you first"

when organisational performance declines, senior teams do recognise the need for strategic change[14]. But many of these studies selected cases where there were performance problems; it may be that managers in well-performing firms recognise equally high need for strategic change. However on balance, it seems likely that most senior teams in troubled organisations do 'see it coming' – the bigger challenge being making the right strategic decisions in response and executing them effectively. Unsurprisingly, changes in the membership of senior teams are associated with increased perception of the need for strategic change[15], though again this may be because people changes follow organisational performance problems.

Do senior teams know how effective their strategic decisions are?

As discussed above, assessing the outcomes of strategic decisions is very difficult. But researchers have worked round this problem by analysing what senior teams think of their decisions. In line with attribution theory, executives tend to credit organisational

success to their decisions, but attribute poor organisational performance to external factors[16]. Consequently, the minority of managers who attribute performance falls to internal (and thus more controllable) factors are more likely to initiate change than those 'blaming' the external environment[17]. It is unsurprising that poor decision-making practices result.

Research findings illuminate many of the challenges, but how can senior teams improve their strategic decision-making? Here are five key suggestions.

1   **Allocate enough time.** The first bit of advice must be not to leave the development of strategy until the last minute and to set aside sufficient time to do it properly. Senior teams frequently make strategic decisions too quickly and commit to these before conducting sufficient analysis[18]. Studies have established that managers often work under a misguided sense of pragmatism and artificial time pressure and that it becomes politically difficult for them to reverse poor decisions resulting from 'rush jobs'.

2   **Ensure wide participation.** Another consequence of rushed strategising is that it often necessitates ruthless decision-making by a small senior team. Even when timescales are not tight, many senior teams decide to take decisions in isolation of those they expect to implement them. This is disastrous – research shows that managerial edicts and attempts at persuasion tend to produce a mixture of resistance and apathy. Yet these tactics are amongst the most popular employed by managers making strategic decisions, being used in two out of every three decisions studied[19]. The use of participation, on the other hand, is consistently more effective in creating superior decisions and higher commitment[20]. Wise senior teams dare not plan alone.

3   **Diagnose & set objectives first.** A bias for action is often a good thing – there comes a time when people need to 'get on with it'. However, action orientation can be the enemy of good strategic decisions. You would be horrified if your doctor prescribed a drug without

examining you first. Yet senior teams do the strategic equivalent regularly. Diagnosis of strategic issues is necessarily messy and iterative – characteristics that make many managers uncomfortable. It is also made difficult by numerous influences such as the way issues are framed, the sequence in which data are analysed, the team's decision-making experience, underlying assumptions, organisational politics, time constraints and so on. However, without a sound understanding of the strategic dynamics of the organisation, what chance do senior teams have in producing good options and making effective choices?

Action orientation has another common victim. Objective-setting is better understood but often overlooked or ignored because it is seen as 'navel-gazing'. However, when objectives are not made clear, people tend to form different views about what these are and how important they are. This divergence of thinking leads to uncoordinated action and conflict. Some research suggests that effective objective-setting boosts the success of strategic decisions by as much as 50 percent[21]. In short, if you are too action oriented to want to diagnose situations and set clear objectives, these steps are vital so stop procrastinating and just get on with them!

4   Encourage open debate. Numerous studies establish the importance of managers engaging in open dialogue to build consensus and commitment in organisations facing strategic change[22]. This is important because it is known that decision-makers are often unwilling to voice concerns about problems for which they are

responsible, unless they already have a solution to propose[23]. Managers also tend to commit analytical resources to supporting and defending their selection decisions, rather than exploring a range of options. This effect is, ironically, exacerbated if others become suspicious that the manager has a vested interest in the proposed solution. Leaders and their teams need to actively demonstrate that it is healthy – and safe – to challenge, debate and learn from mistakes.

5   Structure decision-making. Studies suggest that structured group decision-making techniques such as devil's advocacy are effective and superior to seeking consensus[24]. They can uncover information and potential conflicts, as well as build ownership amongst stakeholders. More fundamentally, however, senior teams should use a customised strategy development process that allows for data gathering, assumption testing, option generation, examination of trade-offs and the translation of conceptual objectives into concrete activities. Depending on the context, tasks such as industry analysis, competitor analysis, customer segmentation, capability analysis and so on may be essential. It is vital to identify which techniques are useful, know how to apply them effectively and avoid losing sight of the underlying logic that draws it all together.

Making good strategic decisions is difficult, but senior teams have an absolute responsibility to work hard at overcoming the challenges. They don't just owe it to stakeholders. It's a critical precursor to the next and even bigger challenge they must tackle – successfully implementing strategy.

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