Should We Have Two Leadership Teams?

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A number of the entrepreneurs we advise have reached the stage of enterprise-building where there are more executives within their organizations than fit naturally on the top management team. They face the question of whether to have a second, more inclusive leadership team that creates a forum for all the "most senior people" to participate.

Answering this question well demands following a logical sequence:

1. What's the work of the "top" enterprise leadership team and who can best do that work?
2. Is there complementary, valuable work for an "extended leadership team" to do? How should this be framed and structured?

While the thinking here is framed most explicitly for organizations at a pivotal early stage of growth, a number of the concepts can be adapted to larger organizations with multiple tiers of executive roles.

What Does an Enterprise Leadership Team Do?

The work of the enterprise's top leadership team is to:

- Shape the enterprise's vision, strategy and way of operating
- Translate the vision into principal objectives, and the way of operating into specific standards and practices
- Build the enterprise's capabilities and culture
- Lead by example, individually and collectively, embodying the enterprise's values and aspirations

- Ensure the organization is positioned to deliver on its principal objectives
- Hold one another and the broader team accountable for the critical results (principal objectives and the others that flow from them) and how they are achieved (values, culture, standards)
- Make the critical decisions central to the enterprise's overall performance

The leadership team must ensure that the inside of the enterprise – people, culture, capabilities, resources, etc. – evolve in concert with what is needed to keep its external ecosystem (e.g., customers, partners, donors) healthy and growing.

These top leaders need to be both perceivers and shapers: perceiving what's needed, then shaping the enterprise to work in a way that fulfills those needs. The agendas of leadership team meetings and the way discussions unfold should reflect this focus on the whole organization. The leadership team does engage with specific operating questions, but always with attention to how the organization as a system produces the right outcomes (and stops producing the wrong outcomes), versus simply addressing the particular matters at hand as one-off decisions.

Typically, the members of an enterprise leadership team also oversee and lead the firm's critical departments, or distinct businesses (in a non-profit context, programmatic areas) within a broader portfolio. While these individual leadership roles are important, they are distinct from the role of being a member of the leadership team. Leadership team members must be conscious of wearing two "hats": membership on the leadership team, which relates to the accountability to participate in the work of shaping and leading the enterprise as a whole, and leading their specific function or business.

Because both hats will be relevant during a given leadership team discussion, members should be explicit about which hat they are wearing at any given moment. For instance, wearing the "leadership team member" hat, an individual might be concerned that a certain rate of growth on one side of a multi-sided marketplace might undermine the overall quality of the marketplace ecosystem. The same individual wearing their "head of Sales" hat might be primarily concerned with the budget required to add sufficient staff to achieve that target.

How is this Different from the Role of the CEO?

The CEO has three main responsibilities, in addition to wearing the specific "hats" such as playing the sponsor role for a range of functional departments, owning certain responsibilities directly, and engaging with the board:

1. Own final responsibility for the enterprise's vision, strategy, principles, culture and goals
2. Shape and lead the executive team
3. Ensure the members of the executive team have what they need to fulfill their responsibilities successfully (e.g., clear briefs, resources, organizational structure)

There are many ways for a CEO to shape and lead a team, ranging from highly collective decision-

making in which key operating decisions “above” the functional level or across functions are made jointly by the enterprise leadership team to a highly individualized decision-making model in which the “cabinet” of the enterprise leadership team offer their perspectives and then the CEO personally decides. What styles are best under what circumstances is its own topic.The key point to make in the context of chartering leadership teams is that the collective role of the enterprise leadership team should be to “think about the whole,” as a CEO does. Each individual should work toward having her own perspective on decisions from the perspective of the whole enterprise, not just from the perspective of her specific function or business. This enables a leadership team to act as more than the sum of its parts, regardless of whether a given decision is made by the group, by the CEO, or by the individual most connected with the issue at hand.

Who Should be On the Enterprise Leadership Team?

Leadership team members need to have strengths in several areas in order to play their roles successfully:

- Strategic thinking
- Proactive, shaping leadership
- Ability to navigate complexity and synthesize a point of view in ambiguous contexts with many forces at work
- Ability to visualize multiple paths forward for a whole enterprise and compare/evaluate these paths
- Integration of multiple points of view to inform high-stakes decisions
- Capability to select and manage talent at the team leader level; effectiveness as a manager of managers (note that at any given point in time, a member of the leadership team might not actually be a manager of managers, but they should have this capability)
- Critical thinking about the variables important to assessing the likelihood of success of high-stakes efforts – e.g., strategies, plans, individual capabilities, team dynamics
- High standards, and will to hold others accountable

Naturally, any given individual may have gaps in one or more of these areas – but enterprise leadership team members should at least be developing toward this level of capability, and any weaknesses should be counterbalanced by the “spikes” of outstanding strength in one or more of these areas. Because this is so important, and because it is such a high and difficult standard, one of the critical parts of the enterprise leadership team’s work is understanding one another’s areas of weakness or inconsistency, calling them out and designing around them.

Early in the development of an enterprise, there are rarely very many people who have these qualities, and while there’s likely something called an executive team, that team rarely operates in the way described here. That isn’t necessarily an issue if much of the work in those early days is the core “doing” of building product, acquiring the first customers, making critical functions operational, etc. Particularly if the CEO and perhaps one or two other founders bring the right level of strategic and organizational acumen to their work, whether or not there’s an enterprise leadership team, those critical few people can do the work of shaping and steering the enterprise.

As an organization grows in complexity, the ratio of work "on the business" (e.g., setting strategy, shaping the organization, building processes) to work "in the business" (e.g., serving customers, executing processes, building technology) increases – and the need for a real enterprise leadership team increases. This effect isn't simply proportional to size. A pivot demands solving for an array of interdependent elements of how an organization should work in a way that moderately fast growth of a "recipe" that's gaining momentum very well may not.

Organizations at this stage of "just starting to become more complex" generally have functional organization structures, in the sense of the senior roles being defined by leadership of a specific job function (e.g., CFO, head of Marketing, head of Product). As the enterprise grows in complexity and begins to need a true enterprise leadership team, inevitably some of the functional leaders have the qualities described above that make them fit for enterprise leadership and some do not. That doesn't mean these individuals might not be "right for their jobs" more broadly. In a 30-person organization, for instance, a CFO who is great with the numbers and not strong at connecting the numbers to broader operating decisions may be an important asset, particularly if the CEO has strong financial acumen. It may well make sense at this stage for the enterprise leadership to include all the functional leaders, regardless of where they fall on this continuum of broader development. What's critical is to bring the enterprise leadership team *up* to the level of owning the responsibilities described here, and engaged in the level of dialogue this implies, rather than *down* to the ceiling of where some individuals on the team are operating. This requires having at least three leaders who truly have the approximate mix of capabilities described above, engaged with one another in robust dialogue in which these leaders put away the hats of their particular job responsibilities and push one another's thinking about the enterprise as a whole. If others on the team are mostly bystanders to this dialogue, they may well still benefit from "being in the room" by gaining context and by getting exposed to a way of engaging that they may, over time, be able to grow into. If, on the other hand, the leadership team gets used to the more tactical cadence of updates, one-off review of operating decisions, and so on that's generally a consequence of playing to the lowest common denominator, this pattern can become difficult to break later.

As the organization grows, the number of functional leadership roles will naturally increase and other kinds of leadership roles will emerge (e.g., the leader of a new geography, a COO, the leader of a new business or programmatic area). As this occurs, resist the temptation to grow the enterprise leadership team too much. The precise manageable size depends a great deal on the CEO's style and the capabilities of the individuals involved, but generally an enterprise leadership team with more than seven members is a danger sign for an organization with fewer than 150 members, and it is often easier for a group of five to engage in robust give and take than for a group of seven. In making the trade-offs required not to grow the team too much, the CEO as leader of the leadership team should apply three principles:

- **Prioritize the person over the role**. Don't assume that everyone with an important job needs to be on the enterprise leadership team. If the individual has a highly tactical emphasis, they probably don't need to be on the team, particularly given that they can be invited into any agendas for which they have critical data, perspectives or "need to know." On the other hand, sometimes individual contributors with strong strategic ability can add a great deal to a leadership team. Particularly when there are co-founders who aren't good managers but are still contributing greatly to the shaping of the enterprise, "ministers without portfolio" can be

an important part of enterprise leadership.

- **Bring the right people into the discussion.** The people who count on any given issue should be in the room as decisions are shaped, and part of shaping those decisions. Think of the formal members of the enterprise leadership team as a core group that can be extended based on the demands of each important discussion at hand. This will also diminish the risk of the enterprise leadership team being perceived as a cabal, disconnected from the organization at large. If team members come away from participating in topic-specific discussions feeling they've been listened to and they've contributed, the leadership's influence and ability to stay in the flow will be dramatically greater.
- **Define enterprise leadership as a kind of work, not a level of status.** The main reason that CEOs let leadership teams grow too large isn't that they're confused about who will contribute greatly, but that they're reluctant to demote and demotivate the people who contribute less to this specific forum. The solution is to make clear that the enterprise leadership team is simply the group of people doing a certain kind of work, not "the most important people." A head of Sales who is doing a great job driving the numbers but isn't particularly interested in or skilled at the broader considerations of enterprise leadership could well be paid much more and honored more highly for her importance to the company than a co-founder "minister without portfolio" who is nevertheless a much stronger contributor to the actual work the enterprise leadership team needs to do in the room.

As choices like these play out, the question naturally arises of whether to add an extended leadership team that can include all the executives rather than just a select group.

Should We Add an "Extended Leadership Team"?

In considering whether to charter a second team, the most important principle is not to have two groups set up to the do the same work. Whatever words one uses, one should think of an extended leadership group as more a *forum* than a *team*. A team naturally creates the image of a group driving a set of clear shared objectives together, rolling up their sleeves to do joint work. When convening an extended leadership group, the goal shouldn't be to have this group try to run the enterprise together. That will only create confusion. There are, however, quite likely to be valuable purposes to be served by convening an extended group for specific discussions in a regular forum.

Three kinds of work stand out as well suited to what an extended leadership group can do in the forum of shared meetings.

1. **Achieving shared understanding** of important strategies and developments that impact the enterprise as a whole, and translating this shared understanding into "so whats" relevant to their particular roles. For instance, using a group like this to "workshop" what focus on a new customer segment means and what the implications are for each of the organization's functions can create situational awareness that makes each leader more effective and produce insights about what will happen "where the rubber meets the road" that the CEO and members of the enterprise leadership team can learn from.

2. **Problem solving on a specific question** that requires connecting the dots across functions. Often in organizations of the size at which an extended team becomes relevant – perhaps 50 to 200 people, depending on the nature of the organization's work – building the right culture becomes a much greater challenge. At that size, the techniques for sharing information, setting tone and establishing accountability for how people work, manage and lead that worked during the founding era start to break down. Convening an extended leadership team to diagnose and ideate on how to address these dynamics can be effective both to generate solutions and to raise awareness from individuals who are important influencers of the broader culture.
3. **Deliberating on major dynamics or decisions** that face the organization, without expectation that the group owns the decision or that there will be closure in the room. For example, in an organization wrestling with whether to accelerate growth in a context in which that's a risky choice, convening an extended leadership team to deliberate on the issue could be a great way to surface perspectives, weigh arguments on both sides, and generate buy-in to whatever decision the CEO and enterprise leadership team ultimately make. The conversation is likely to be all the more effective because the pressure of deciding is released – which doesn't mean that participants couldn't offer a synthesis of what they would personally do if the decision were theirs, as a way of putting them into the shoes of top management.

A few observations flow from consideration of these kinds of value that an extended leadership forum can create.

- Meetings should be long enough to generate real dialogue, and not necessarily frequent
- The CEO could be the leader of these meetings, but it could work equally well to have other discussion leaders
- This kind of meeting will not be sufficient to address the information needs of executives who aren't on the enterprise leadership team, and that purpose of "keeping folks informed" will need to be addressed in another way

While the organization was much larger, one of the most effective "extended leadership forums" I've ever participated in was the Operating Council at Booz & Company. When I was at Booz after the sale of Katzenbach Partners, the firm had approximately forty senior partners, in a global firm with approximately 250 partners and $1B in revenue. Senior partners did not necessarily have any particular management responsibility, and partners who hadn't been elevated to the "senior" level could have major executive roles and serve on the enterprise leadership team or regional leadership teams. As a senior partner, I was never part of the global executive committee of Booz, although I engaged with that team frequently during a period when I led one of the firm's global initiatives. My protégé Traci Entel, after some time as the firm's Chief Human Resources Officer, was named to the global executive committee and, although she was a few "levels lower" in Booz's highly structured partnership ladder, she played a much greater role in shaping the firm's strategic and operational decisions.

All forty of the firm's senior partners from around the world would be convened in Operating Council meetings from time to time when there were important matters to discuss, which happened three times during the two and a half years in which I was a member. No decisions were made at these meetings, but each member was given the opportunity to reflect at length and in depth about his or

her perspectives after the CEO and other members of the executive committee. The quality of reflection and listening was exceptionally high. The atmosphere was one of passionate deliberation. While the executive committee had no obligation to act on the views expressed, we all felt that the thinking of the senior partners was taken with the seriousness it deserved. “Management” deeply valued the check and balance of this extended group as a reasoning body. While the specifics of what will work and the cadence of meeting will of course be different for a smaller enterprise, the quality of mutual respect and deliberative responsibility without the expectation or burden of decision-making is at least as relevant to the smaller enterprise.

Whatever decision one makes about an extended leadership team or forum, it is important to recognize that at the same stage of development at which this question becomes relevant, the expansion of the number of individuals with executive roles will demand a number of other changes in how CEOs lead, how information is shared and how decisions are made. Creating a “second team” can be a valuable step, but won’t address most of these needs. I’ll make this broader question the topic of another post down the road, and welcome hearing from readers about their experiences with this stage of development, the challenges they’ve encountered, and what they’ve seen work or fail to work in addressing these challenges.