Reflections

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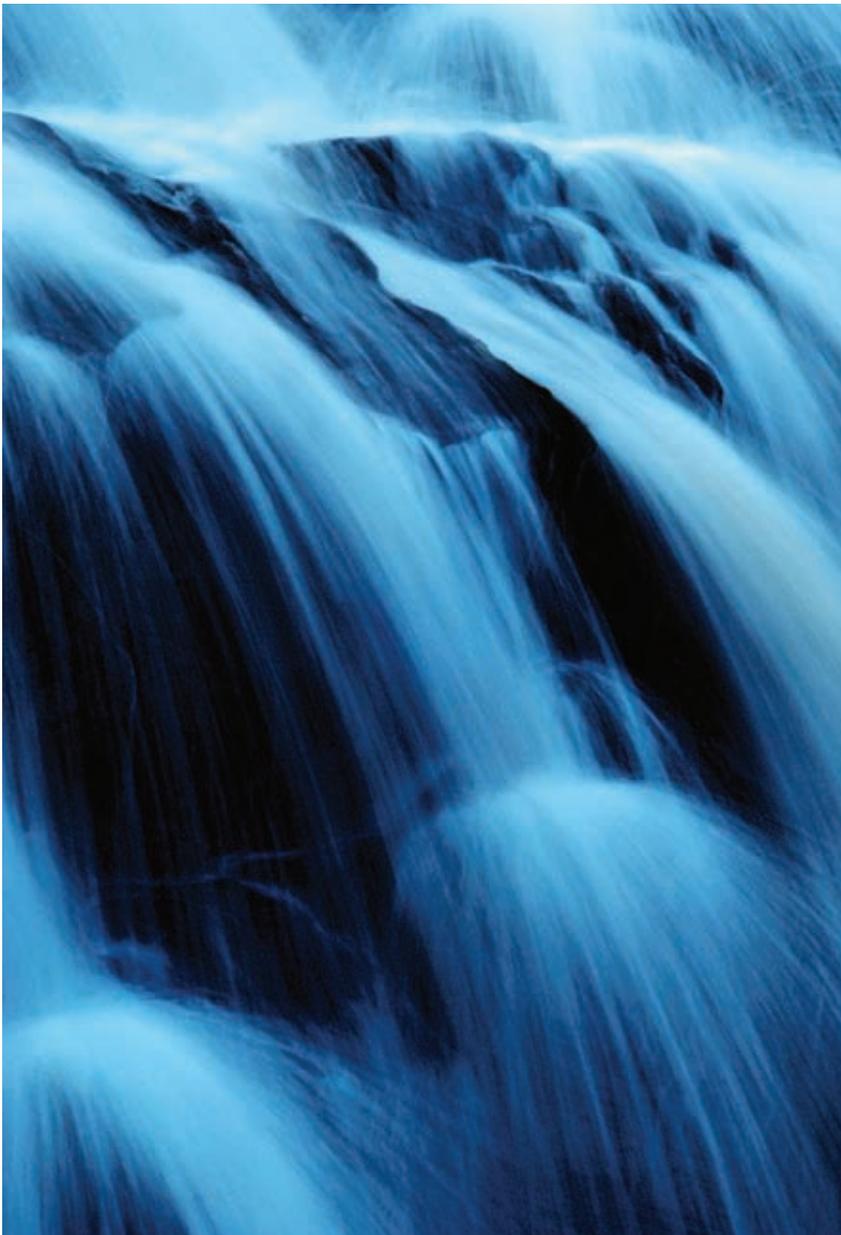
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The Missing Piece to Building Great Teams

BY DIANA McLAIN SMITH

In this article, adapted from Diana McLain Smith's new book *Divide or Conquer: How Great Teams Turn Conflict into Strength* (Penguin: 2008), stories from the author's own work and public sources allow us to peer inside the relationships that so often make or break the success of teams. Once you understand how relationships actually work, develop, and change, you can use that understanding to build relationships flexible and strong enough to create and sustain exceptional teams.

Diana McLain Smith

All teams rise and fall on the strength of their relationships. Secretary of Defense Donald Rumsfeld and his top generals; Larry Summers and the faculty at Harvard University; Carly Fiorina and the Hewlett-Packard board; Michael Ovitz and Michael Eisner at Disney; Steve Jobs and John Sculley at Apple in the 1980s; Winston Churchill and Franklin Roosevelt during World War II; Abraham Lincoln and his wartime cabinet. As far back as Agamemnon and Achilles on the beaches of Troy, relationships within teams have determined the fate of leaders and their enterprises.

> **After 20 years of studying and advising leaders and their teams, I've come to believe that every team is only as strong as its weakest relationships.**

Even so, relationships go largely unnoticed. We analyze group dynamics; we size up team members; we tinker with design and redefine roles and rights; we even consider the larger context within which teams operate. But we don't take a close look at the relationships that turn a bunch of people into a team.

No one today would dispute the idea that relationships matter. Flatter hierarchies, tighter interdependencies, efforts to move decision-making down in organizations all depend on the quality of people's relationships. Yet despite their obvious importance – perhaps because of it – relationships remain largely a mystery. We know *that* relationships matter, but not exactly *why* or *how*. And so despite our best efforts to create collaborative, high-performing teams or flatter, more flexible organizations, many still look as territorial and hierarchical as ever.

After 20 years of studying and advising leaders and their teams, I've come to believe that every team is only as strong as its weakest relationships. How well and how quickly teams make decisions, inspire innovation, tackle performance problems, or learn from mistakes – all depend on the strength of relationships within a team. Some relationships give teams the courage to face tough truths and make bold changes. Others kill every new idea or initiative within their reach. Still others plod along somewhere in between, causing little trouble but failing to inspire or sustain stellar performance. Without a doubt, individuals

and group dynamics figure in all this, but all that figuring takes place in the context of relationships.

In retrospect, the conclusion was inescapable. On many occasions I've witnessed organizations falter – not because leaders failed to grasp the need to change or to design the right strategy or to inspire the troops or to appreciate the importance of culture – but because relationships within their teams prevented them from doing what they needed to do to succeed.

"It's the Relationship, Stupid"

I'd long suspected that relationships played a pivotal role in a firm's success or failure, but the top team at "Elite Systems" convinced me. Long touted by the press as one of America's great manufacturing firms, Elite's performance first stalled, then plummeted after competitors entered the market with knock-off products at much lower prices. Two years later, the team faced choices so fundamental they challenged its most basic beliefs and threatened its identity as a leader in product design. Quite understandably, the executives struggled.

As consultants to the team, my partner and I figured we could best help by gathering data on politically charged strategic questions, facilitating team deliberations, and developing people's knowledge of strategy, team dynamics, and negotiation. After a year and a half, I think it's fair to say we failed. Despite everyone's hard work and best efforts, the team couldn't move quickly enough to turn around the firm's performance. In the end, the board felt they had no choice. They had to take action, and they did, firing the CEO and half his team. Needless to say, my partner and I went out with them, as we should have.

Afterwards, I decided to take a closer look at what had prevented the team from moving fast enough to improve Elite's performance. As I pored over transcripts from over fifty meetings, tape-recorded over 18 months, I began to see the basic flaw in our approach. We were so intent on building the team, facilitating their decision-making, and

developing individual leaders that we completely overlooked the real sticking point: relationships within the team.

Yet the closer I looked, the more obvious it became. Three sets of relationships had made it impossible for the team to move fast or well enough to succeed:

- The relationships among executives from competing business units;
- The relationships between those most central and those more peripheral to debates;
- The relationships between the CEO and members of his team.

In the first set, executives from different business units repeatedly got caught in what they called "point-counterpoint debates" about the cause and the cure of the firm's deteriorating performance. The two executives who dominated this debate, Frank Adams and Ian McAlister, couldn't have been more different. One headed up the firm's newest and fastest-growing subsidiary, the other the firm's struggling core business. One was brash and quick, the other measured and reflective. One believed that the market should shape the products you make, the other that the products you make should be strong enough to shape the market. One appealed to facts and figures, the other to values and beliefs. Unable to resolve their differences – forget about *using* them – they began to accuse each other of trying to protect their turf or to promote their own business. The two went nowhere, fast.

In the second set of relationships, leaders peripheral to the debate watched and waited as those caught up in it argued back and forth, back and forth. Over time, the silence of this peripheral majority led those embroiled in the debate to discount their inputs any time one of them waded in. Angered by the rebuff, those on the periphery withdrew even further, making it impossible for them to alter the point-counterpoint debate that was stalling progress.

Finally, hoping to resolve differences the team couldn't, the CEO periodically stepped in and imposed a solution to get things moving. But this only strained his initially strong relationship with the team, many of whom faulted him for violating his espoused commitment to collaboration and autonomy. Now caught himself, the CEO grew more distant, creating a leadership vacuum that exacerbated the team dynamics and further strained his relationship with the team.

In the end, these three sets of relationships killed the team. With the first set polarizing debates, the second reducing them to a handful of players, and the third destroying the CEO's ability to exert his leadership, the team didn't stand a chance.

The Waiting Game: When You Win, You Lose

No one in the room was blind to these dynamics. Everyone felt their corrosive effects, even complained about them regularly. But no one seemed able to change them, at least not in any enduring way. They kept bumping up against the same problem: They were all looking to someone else on the team to change his or her behavior before changing their own.

It was the old prisoner's dilemma. Worried that any change they made might be misunderstood or exploited by others, no one wanted to risk it. What's more, they all shared the same conventional wisdom about changing these dynamics. Convinced the other guy was the problem, they focused on getting him to change rather than changing themselves (see "Conventional Wisdom," page 16). With no one willing to make the first move, they all got caught in a waiting game that made it hard for anyone to change.

That Trapped Feeling

From years of observing teams, I had long understood how one person's actions – say, an accusation or a threat – could provoke reactions in another (indignation or outrage) that would lead him to act in ways (stonewall or counterattack) that caused the first person to react further. But now, as I studied what happened at Elite, I could see how these patterns, left to escalate, had made even the most irrational actions look downright reasonable, even inevitable, to the person acting. Over time, this sense of inevitability had made everyone on the team feel trapped in relationships that were no longer of their own making. And

Conventional Wisdom

- Because your behavior upsets me, you must be the cause of my upset. Since you're the cause, you should change.
- My telling you that you're the cause and that you should change is all you need to change.
- If you don't change, that must mean you don't *want* to change or that you *just don't get it*. (It's *not* a sign that my behavior is part of the problem.)
- If you continue to act in ways that upset me, that must mean that I need to try harder to *make* you change. (It doesn't mean I'm trying the wrong things.)
- Because I'm now trying harder and harder, and you're still not changing, you must be uninfluenceable. (It's not a sign that I am uninfluenceable).
- Given that you're uninfluenceable, there's nothing else I can do.
- Given there's nothing else I *can* do, then there's nothing else I *will* do. As far as I'm concerned, the relationship is over – whether I actually leave or stay.

while no one liked the impact these relationships were having on the team, no one had a clue how to change them.

And there's the rub: once patterns of interaction take on a life of their own, relationships seem to operate independently of anything we do or want or intend.

If they go well, everything else goes well. If they go poorly, everything else goes to hell. Which happens, most of us chalk up to a chemistry too mysterious to decode and too difficult to change.

It need not be that way.

To Change the Game, You Have To See the Game

Relationships are such an integral part of everyday life they're like the air we breathe. Until something unpleasant or unexpected happens, we give them little notice; even then, we're often at a loss as to what to do. We can spot difficulties easily enough and feel their effects even more easily, but few

among us can pinpoint their cause; still fewer know what to do about it. Like a firm's culture, relationships are part of the informal side of organizational life: the soft stuff that's hard to see, grasp, or change.

My clinical research over the past two decades sheds an important new light on old relationship condundrums. That research has convinced me of two things: first, that relationships have an informal structure that can be mapped and changed, and second, that relationships may be the single most underutilized lever for transforming the performance of teams and organizations.

This is especially true for relationships that operate along *organizational fault lines* – interfaces where coordination is as essential as it is difficult: research and marketing at Merck; manufacturing and design at Herman Miller; the president and the faculty at Harvard; business units cooperating and competing in the marketplace; executive and legislative branches at the federal and state levels; top management and middle management everywhere. At each interface, interests collide and conflicts erupt. Whether people can put these conflicts to work, so they create value rather than destroy it, depends on the nature and the quality of their relationships.

This is where most of us find ourselves at a loss. Even the best ideas about teams or interpersonal dynamics fail to bring relationships into the foreground, where we can see how they work and how they break down. As a result, we may know *that* a relationship's in trouble, but we don't know *how* to change it, at least not in any reliable or lasting way.

Relationships: A Team's Most Basic Building Blocks

Given the right tools, it's possible to build relationships that are flexible and strong enough to sustain stellar performance in teams, both over time and under pressure. Because two-person relationships are the basic DNA that shapes how a team operates and evolves, it's important to understand how relationships work and develop, and how they can

"And now at this point in the meeting I'd like to shift the blame away from me and onto someone else."

be transformed in ways that take practical realities into account.

Understanding Relationships

When it comes to the *formal side* of a relationship – defining roles, clarifying responsibilities, allocating decision rights, calculating financial rewards – we have lots of tools. But when it comes to the *informal side* – the chemistry between people, the balance of give and take, the sense of connection or animosity they feel – here we have only our intuition to guide us. That's because this side of a relationship is hard to see and even harder to understand. But with the proper tools, it's possible to map the underlying structure of a relationship, allowing you to see how the informal side of a relationship interacts with the formal side to determine its fate.

Transforming Relationships

The reason most people change so slowly, or not at all, isn't because you can't teach old folks new tricks (you can), but because we expect them to change independently of the relationships in which they operate. The same goes for teams, even organizations. We expect them to change independently of the relationships that make them up. Trouble is, the vast majority of people will wait for their peers to make the first, second, even the third move. And when it comes to their superiors, well, then the wait will be more on the order of a hundred moves. Meanwhile, a lot of time is a-wasting. People and teams will change a lot faster if you focus on changing relationships so they are flexible and strong enough to support change at all levels – from the individual to the team to the overall organization. When people

work together to turn their relationships into contexts for growth and learning, there are no more waiting games: people help each other create a relationship that supports growth and learning.

Making Change Practical

When the best-laid plans go awry, it's usually because they're disconnected from the very realities they're supposed to address. Sure, all of us want better relationships in our teams, but what team can afford to invest the time, money, and energy to create them? To make change practical, you need more than a theory of change; you need a tool kit for making change happen in the real world. Among other tools, one tool in this tool kit must help you focus and sequence your efforts so you can create the biggest impact with the least amount of effort.

Focus the Change Effort

At the end of *Annie Hall,* the classic 1977 film about relationships, Woody Allen tells an old joke about this guy who goes to a psychiatrist and says, "Doc, my brother's crazy. He thinks he's a chicken." Horrified, the doctor asks why he hasn't already

committed him. "I would," the guy answers, "but I need the eggs." The point is, as difficult as relationships sometimes are, we need what they give us, even if it's all in our heads. And there's no getting around it. While relationships give us many things, from a much-needed sense of connection to much-needed political support, they also take effort. Sometimes, lots of effort.

But not all relationships within teams require or deserve the same *amount* of effort, or the same *kind.* To help you decide *which* relationships to invest in and *when*, you need two tools: an Investment Matrix that tells you where to focus your investments, and a Sequencing Matrix that tells you when to invest in which ones. Together these two tools give you a way to think strategically and practically about developing greater resilience at the top of your organization.

The Investment Matrix

In any business, people make a basic distinction between two types of costs: operating costs and investments. Where the former keeps a business going today, the latter keeps it going tomorrow. The same basic distinction can be made about relationships.

All relationships entail relatively fixed operating costs. If you want a relationship to go well, you have to raise sensitive topics with care; you have to deal with your own or other's emotional reactions; you have to repair any ruptures. All of these activities maintain relationships, and all of them take time, energy, and money.

In business, investments represent a different kind of cost. On the one hand, they're more flexible than operating costs. You can ramp them up and down more easily. On the other hand, if you don't invest enough, or if you don't invest strategically, you can't keep up with your competitors. New products or services don't get introduced fast enough, causing revenues to fall. Or increasingly inefficient systems don't get updated fast enough, causing costs to rise.

Again, the same basic logic holds for relationships. All relationships require investment to keep up with the shifting demands of any organization. Otherwise, they tend to get in the way: an organizational redesign calling for greater cooperation doesn't work as intended, or a new strategy falls flat because people don't get the right information to the right people at the right time.[1] Just as you can reduce the costs associated with outdated formal systems by upgrading them, so can you reduce the costs of relationships by transforming the informal structures underlying them.

In each case, you replace an outdated, inefficient system with a more effective and efficient one. Only, in the case of relationships, you seek to redesign a relationship's informal structure so it's better able to handle even the most difficult of relationship tasks well – whether it's recouping when things go wrong, or reviving a relationship that's dying.

Making investments is inherently difficult. Whether you're thinking about a business or a relationship, today's pressing demands will always clamor for more attention, and those demands will make a compelling case: if they don't get what they need, there'll be no tomorrow to invest in. So whenever you invest, you have to make choices – sometimes, hard choices.

In making those choices, many people's first instinct is to focus on "problem" relationships. But that focus is far too broad to be practical: most firms would have a very long list of candidates, and no firm can afford to invest in all of them. Besides, by focusing only on problems, you set your sights too low.

At the same time, if you take a more ambitious tack – aspiring to turn every good relationship into a high-performing one – you'll still have far more change on your hands than you can handle, and not all relationships require the same level of excellence.

To make change practical, people need a framework that can help them focus their investments. The matrix below groups relationships in terms of their relative importance and interdependence, identifying four segments, each one calling for a different approach.

The basic idea behind the matrix is simple: *invest in transforming only those relationships that are both highly important and highly interdependent.* All other relationships can be handled through more conventional approaches. Below I define what I mean by importance and interdependence and explain how you can assess relationships in those terms.

Importance

Perhaps it goes without saying, but I'll say it anyway: all relationships are intrinsically important. They make or break our sense of well-being, our effectiveness, our self-esteem, our sense of ourselves, our connection to others, even our purpose in life. So when I speak of importance here, I do so only relative to a firm's limited investment resources. In this narrow sense, you can assess the importance of a relationship along three dimensions –

FIGURE 1 **Investment Matrix**
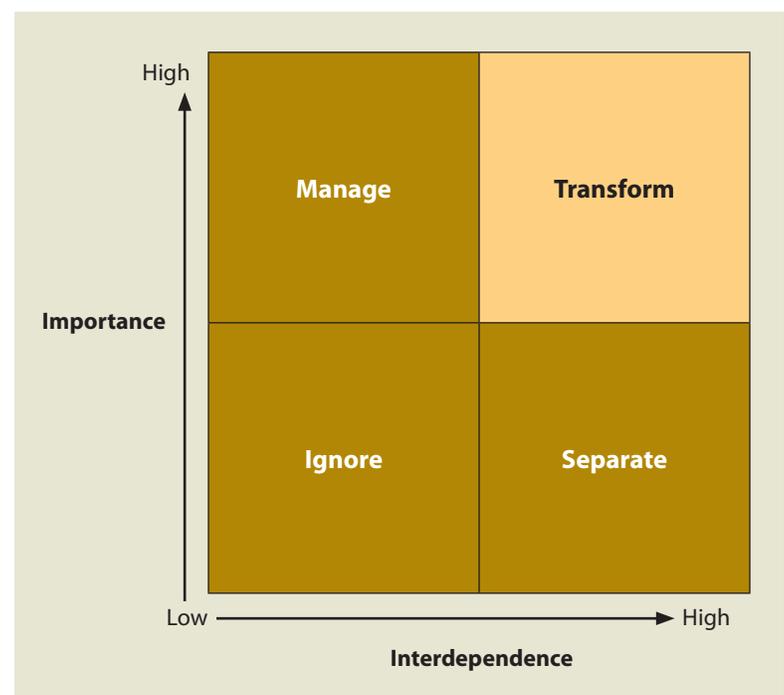
strategic, symbolic, and developmental – each dimension posing a question and imposing a constraint:

Strategic

To what extent are the people in the relationship uniquely qualified to fulfill a strategically critical role? The more vital people's talents, knowledge, or experience are to a strategically critical role, the harder it is to replace them or to redefine the role.

Symbolic

To what extent do the people in the organization look to the people in the relationship, or to the relationship itself, for meaning, guidance, or a sense of purpose? The more symbolically important a relationship is, the faster events related to that relationship will travel throughout the organization, shaping the way people interpret things, including the future, the firm's strategy, and leadership's commitment to it.[2]

Developmental

To what extent does a relationship either reveal a leader's liabilities or showcase her strengths? The more a relationship has the potential to bring out the best or the worst in a leader, the more impact it will have on her development as a leader as well as others and the firm.[3]

Interdependence

Any expert on the formal design of organizations will tell you the same thing: the more interdependent people are, the more they rely on their rela-

tionships – not on formal mechanisms – to get things done and to resolve conflicts along the way.[4] What they don't tell you is that the more people rely on their relationships, the more demands they put on the informal structures underlying them. It is in the context of these informal structures that people will resolve their differences, make decisions, learn, and so on. In assessing interdependence, and thus the demands a relationship will have to meet, three dimensions are critical: information, coordination, and decision-making. Each one poses a question and implies a demand:

Information

To what extent do people in a relationship need to share information quickly and fully to accomplish key tasks?[5] The more that people depend on one another for information, the more their relationship must facilitate the flow of reliable information, including sensitive information or "undiscussables."

Coordination

To what extent do people in a relationship need to coordinate key activities to get things done? The more that people need to coordinate, the more a relationship must be able to navigate situations where the need to cooperate (to achieve joint goals) collides with the need to compete for limited resources.

Decision-Making

To what extent do people in a relationship need to be involved in the same decisions? The more that people need to be involved, the more their relationship must facilitate timely and wise negotiation of differences, even fundamental ones.

Segment-Specific Approaches

The matrix identifies four different ways of approaching relationships, depending on their degree of importance and interdependence: ignoring, separating, managing, or transforming. Below I explain what each approach entails and the circumstances under which it's effective (does the job best) and efficient (at the lowest cost):

Ignoring

If two or more people don't depend much on each other and their relationships aren't strategically important, you can ignore these relationships and any negative effects they create, at least until circumstances suggest otherwise.[6]

Separating

If people's roles are highly interdependent but the people aren't uniquely qualified to fulfill those roles, structural separation is often the best way to handle relationship problems, especially those that resist resolution. Here leaders might transfer or promote one of the people into a new role, create a new structure that reduces interdependence, or even fire one or the other person. As long as you view this approach as one of several, it can be used well and fairly.[7]

Managing

If people are vital to their roles but the roles themselves aren't that interdependent, you can manage any negative effects a relationship creates, because they should be infrequent. When applied appropriately, this approach can reduce the impact of the occasional relationship snafu by avoiding them, insulating people from them, or protecting one or the other person in the relationship.[8]

Transforming

This approach makes sense when people are vital to strategic roles *and* their success cannot be achieved without depending on one another. When importance and interdependence are high, it's much harder to ignore a relationship, to manage its ill effects, or to separate people structurally. Under these conditions, it makes the most sense to invest in making these relationships as resilient as possible, so they accelerate rather than stall the growth of people and their firms.

Relationships that are highly important and highly interdependent are those that operate along organizational fault lines – interfaces where coordination is as essential as it is difficult. It's on these critical few relationships that a firm's leadership should focus its limited resources.

Sequencing Matrix

Once you've identified those relationships most in need of investment, you can use the matrix below to sequence those investments over time (see Figure 2). As the *Sequencing Matrix* implies, it's best to start with high-impact relationships that stand the best chance of succeeding.

Impact of Success

In terms of impact, you can assess any relationship along two dimensions:

Impact on People

To what extent will changes in the relationship free people up to do their jobs more easily and effectively? The more the relationship prevents people from doing key jobs well, the sooner changes should be made. To what extent will the people in the relationship be more effective and fulfilled? The more people's relationships are undercutting their effectiveness or their well-being, the sooner changes should be made.

Impact on the Business

To what extent will changes in the relationship make it easier for people to make decisions and

FIGURE 2 **Sequencing Matrix**
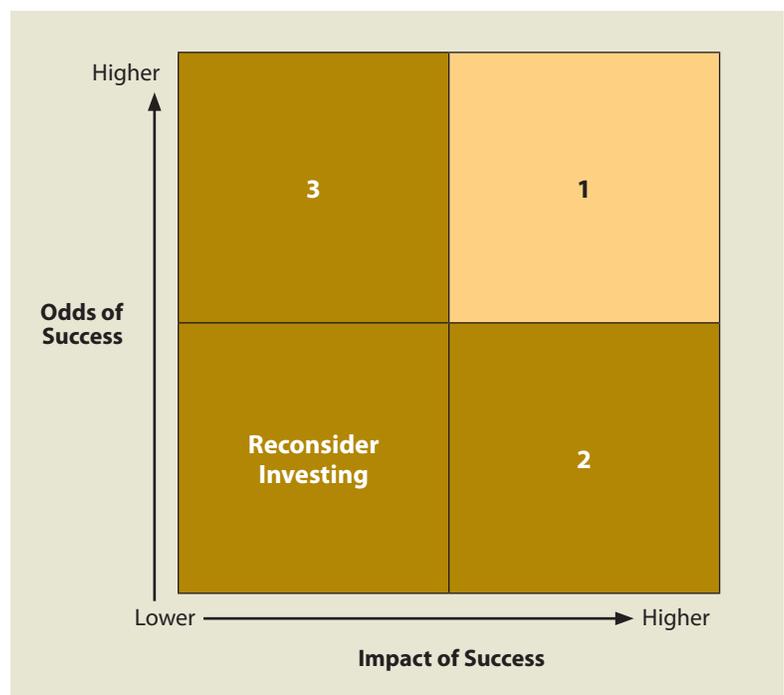
"O.K., if you can't see your way to giving me a pay raise, how about giving Parkerson a pay cut?"

take actions together more quickly and wisely? The more people's differences are harming critical decisions or the pace with which they get made, the sooner changes should be made. In terms of success, you can assess a relationship along three dimensions:

Motivation

To what extent do the people in the relationship see important benefits for themselves and the firm? The more benefits they see, the more willing they'll be to change.

Readiness

To what extent are the people in the relationship willing and able to invest their time and energy *relative to other things*? The less hampered they are

by business crises, whether self-imposed or created by circumstance, the more able and willing people will be to invest their time and energy.

Difficulty

To what extent do the people in the relationship think it's possible that they played some role in creating circumstances they don't like? The more aware people are of themselves and their impact, the more willing they will be to change.

Keep in mind that odds can and should be changed. So while you're focusing on relationships in the first cell, you might turn your attention to increasing the odds of success for those in the second cell – for example, by pointing out the changes people in the first cell are making. Soon after, you might launch some type of programmatic intervention for people in the third cell. Although less customized, well-designed programs can prepare people for more significant investments later by increasing their awareness of themselves and their role in relationships. The fourth and last cell is a bit odd. By definition, this matrix focuses only on those relationships you consider worthy of investment. So, in theory, no one should show up in this cell. But chances are, when pressed to choose among the chosen, some will show up here. If so, you might reconsider whether these relationships really are worth the investment.

Conclusion

All relationships require effort to work. But not all relationships within teams require the same amount or kind of effort. When it comes to relationships that operate along organizational fault lines, people should invest in making them strong enough to handle the tensions that will build up and the conflicts that will erupt at each of those interfaces. ■

ABOUT THE AUTHOR

Diana McLain Smith is a partner at the Monitor Group, a global management consulting firm. For nearly three decades, she has advised hundreds of leaders while doing research on teams, leadership, negotiation, and organizational change. She has taught at Boston College's Carroll School of Management, and guest lectured at Harvard Law School's Program on Negotiation. A founding member of SoL, she is also the coauthor (with Chris Argyris and Robert Putnam) of *Action Science* **(Jossey-Bass, 1985).** *www.dianamclainsmith.com*

ENDNOTES

1 Michelle Conlin, "I'm a Bad Boss? Blame My Dad," *BusinessWeek*, May 10, 2004: page 60. "[There's] a new frontier in productivity: emotional inefficiency which includes all that bickering, backstabbing, and ridiculous playing for approval that the mark of the modern workplace."

2 At one firm, people further down in the organization looked to the head of product design and the head of sales to assess whether the firm was really serious about becoming more commercial, as their new strategy espoused. Every time these two executives fought, the word got out and spread like wildfire, even when their fights occurred behind closed doors.

3 The relationship between John Sculley and Steve Jobs springs to mind. Over time, their relationship brought out the worst in each of them. This exacerbated their liabilities as leaders and made them more evident to others. See chapter 2 in *Divide* or *Conquer.*

4 See Henry Mintzberg's thoughts on "mutual adjustment" in *The Structuring of Organizations* (Englewood Cliffs, NJ: Prentice Hall, 1979). Also see Daniel Goleman, *Emotional Intelligence: Why It Can Matter More Than IQ* (New York: Bantam Books, 1995). Also see Conlin's "I'm a Bad Boss?" (Note 1, above). The greater interdependence found in today's organizations has sparked an increased interest in emotional intelligence (Goleman) or emotional competence (Conlin).

5 In thinking through the formal design of an organization, experts have long advised managers to focus on information as key design variable, determining the desired degree of interdependence required. See Jay Galbraith, *Designing Organizations: An Executive Guide to Strategy, Structure, and Process* (San Francisco: Jossey-Bass, 2002). I'm arguing that what formal interrelationships offer in terms of information flow, informal interrelationships can quickly take away if neglected.

6 Like all strategies, when misapplied, this one becomes problematic. For example, if people start ignoring the ill effects of relationships that really are critical to a firm's success, sooner or later it will take a toll on the firm's effectiveness.

7 This approach breaks down when you feel your only choice is to impose a structural separation, no matter what the circumstances. When that happens, you end up creating whacky structural arrangements or making personnel decisions that harm a firm's performance.

8 If you use this approach to manage the ill effects of highly interdependent relationships, you'll soon run into trouble, because those effects will be so frequent and so widespread that it will fast become more costly to manage them than to change them.

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