

A Quantitative Approach to Aligning and Managing High-Performing Top Management Teams

Summary

The many commercially available leadership alignment assessments and exercises measure and improve little more than cognitive recall – that is, the ability of the members of a leadership team to memorize and recite declarative statements of strategic direction and organizational goals. By contrast, we’ve developed a standard statistical and computational model of Brand and Culture identity, based on proven and broadly accepted models of human personality, that can be used to measure both cognitive and emotional alignment with an organization’s signature persona.*

Based on this innovative model of alignment, this paper reviews our investigation into the deeper emotional and motivational factors that truly determine the effectiveness of Top Management Teams (TMTs) (and, in fact of *all teams*) in support of the organizations they serve. It summarizes our findings with respect to the **empirical connection** and **mathematical correlation** between employee engagement and organizational growth, and presents evidence that the performance of teams of any kind or size, including TMTs, can be improved by measuring and increasing their alignment with their organization’s Brand and Culture. This paper’s points are reinforced by a representative case study.

* Key Differentiators of Our Approach

1. We reveal, measure, and map the signature Role Model that represents a team’s Best Self living its Best Day at work.
2. We use this Role Target information to improve alignment of the attitudes (Culture) and behaviors (Brand) of the Team’s members with their Team’s ideal persona.
3. As measured by the [Gallup organization’s Q12 instrument](#), administered before and 90 to 180 days after our Brand and Culture Alignment Toolkit (BCAT) methodology (620 participants in 60+ groups, departments and teams within 13 different commercial and non-profit organizations, including media, manufacturing and service delivery, studied between 2013 and 2015), we found average engagement scores increased from 32% to 66%.
4. Based on Gallup’s research, increasing Q12 scores positively influences these Key Performance Indicators:

- 22% increased profitability
- 10% higher customer ratings
- 21% higher employee productivity
- 37% less absenteeism
- 28% less shrinkage
- 41% fewer quality incidents

- Lower turnover**
- 25% in high-turnover organizations
- 65% in low-turnover organizations
- Fewer safety incidents**
- 48% overall
- 41% in health care patient safety

A system for measuring and managing the internal alignment of an organization's senior leaders

Is everyone on your Executive Leadership Team singing from the same sheet of music? Are you and your staff on the same page with everyone on your Board of Directors?

For the last 25 years, beginning in the 1990's with the research of pioneers in executive psychology like D C. Hambrick,* our understanding of what makes an effective Top Management Team (TMT) has evolved around two key attributes:

- **Behavioral integration**, characterized by collaborative policy- and decision-making followed up with concerted and purposeful executive action, and
- **Behavioral complexity**, characterized by mutually supportive yet constructively challenging critical thinking. ("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." – *FS Fitzgerald*)

The members of a great TMT don't just agree with each other. They commit themselves, both cognitively and emotionally, to keeping the promises (the Brand) and embracing the values (the Culture) of the organization they serve.

We call this optimal (and all-too-rare) collaborative management style **Brand and Culture Alignment**, and, based on our research,

- 1) it can be measured and managed; and
- 2) it correlates with organizational growth.

Understanding executive alignment

My team and I were pleased with this unique team-building experience. Compared to other similar exercises this process was simple and very straightforward.

The results were easy to understand and I believe provided a clear path to improved team performance.

- EVP, Major Accounts, AT&T

Following the initial development of our Brand and Culture Alignment Toolkit technology (BCAT) in 2014, we studied 620 people in 64 different organizations – commercial and not-for-profit, media, manufacturing, and professional service delivery – to confirm that programs like ours can improve the effectiveness of a TMT (and, by extension, teams of any kind).

Specifically, we investigated the effects of our program on three variables:

1. **Employee engagement:** before and 90-to-180 days after each trial BCAT program, we used [Gallup's Q12 survey](#) to measure the percentage of participants in each trial group who were engaged or very engaged in their work, which, in turn, [measurably improve several Key Performance Indicators:](#)

- Customer ratings
- Profitability
- Turnover
- Safety incidents
- Shrinkage (theft)
- Absenteeism
- Patient safety incidences
- Quality (defects)
- Profitability

2. **Index of Alignment (IA):** a value between -1 (indicating disagreement) and +1 (strong agreement) that indicates the degree of Brand and Culture Alignment among the members of a team; and
3. **Compound Annual Growth Rate (CAGR):** over 2 to 5 years of their organizations' gross income (revenue for commercial companies and donor/sponsor contributions for NFP's).

Our operant definition of Alignment is based on this core principle:



*At the heart of every truly effective TMT, there exists an ideal Role Model (we call this a **Role Target**) that represents their members' collective Best Self living their Best Day as they advise and support their organization's mission.*

A TMT's Role Target provides an aiming point to measure and manage their participating leaders' degree of Alignment (IA) with each other. We discover the Role Target and calculate the IA of a TMT by asking a sample of its members an "Incorporating Question:"

Take a moment to visualize your entire management team - all of its shared virtues and values, its habits, traditions, tools and methods, every member irrespective of role and rank - as though it were a single person doing its very best work every day to keep all of your organization's promises and guide your organization to achieve all of its goals. What would this ideal "virtual person" be like?

Measuring and managing executive alignment

Taken online in about 15 minutes, our BCAT Survey Instrument gathers, quantifies and analyzes the TMT's individual responses to the Incorporating Question and plots them as points on a Standard Model of behaviors (Brand) and values (Culture) as illustrated in Figure 1.

The BCAT system finally got me, my faculty, and my staff singing from the same sheet of music – and we actually had fun getting there.
- CEO, inner-city charter school

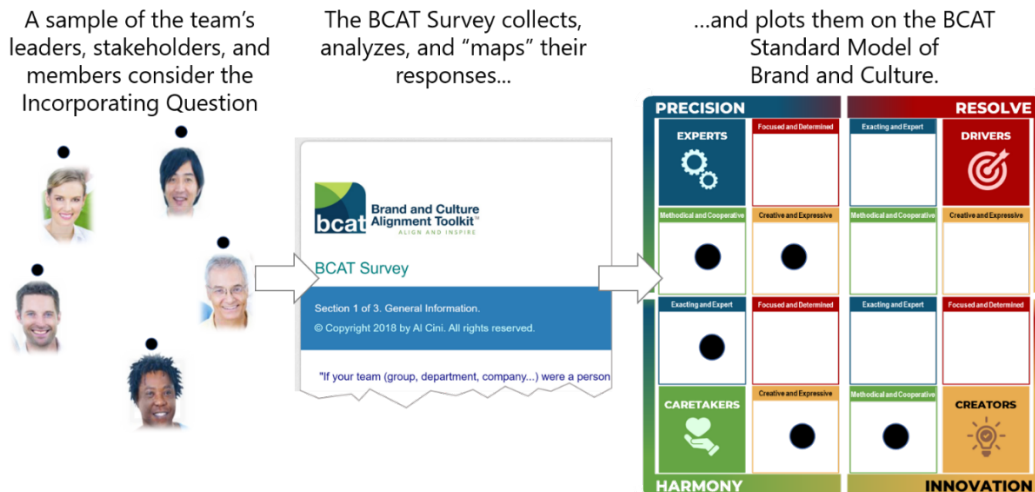


Figure 1.
BCAT Survey Responses Mapped on Standard Model of Brand and Culture

We calculate IA as a value between -1 and +1 that indicates the randomness in the distribution of the TMT's responses to the BCAT Survey, as illustrated in Figure 2, which shows a low IA, or more random distribution of results, at left, and a high or less random distribution at right.

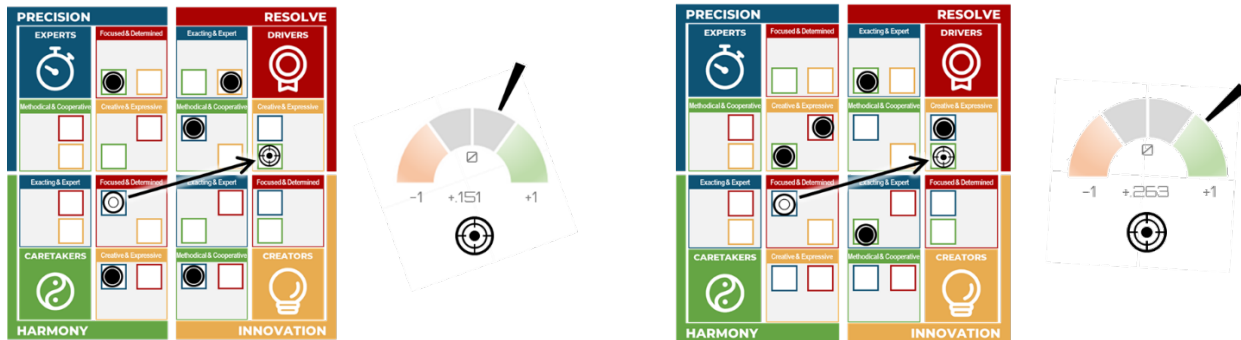


Figure 2.

Index of Alignment (IA): $-1 \leq IA \leq +1$ - Represents the scatter among points plotted on the BCAT Standard Model (Left: $IA = -.151$ - a low Index of Alignment; right: $IA = .263$ - a high Index of Alignment.)

A year down the road and our people are still talking about our Role Target. What a difference.

- Founder, engineering firm

We analyzed our principal dependent variable, the percentage of TMT members engaged in their team's work as measured by the Gallup Q12, before and after engaging our trial teams in BCAT Alignment Exercises.

Over the last several years, in samples drawn from all over the world, the Gallup organization has repeatedly demonstrated a relationship between engagement and several important Key Performance Indicators (e.g., turnover, safety incidents, profitability, and productivity).

To confirm this for ourselves, we added the Compound Annual Growth Rates (based on top-line revenue) reported by participating organizations to our analysis. The results are shown in Figure 3.

The x (horizontal) axis shows the average pre-trial BCAT Index of Alignment (IA) obtained for the 64 participating organizations.

The percentages on the y (vertical) axis correspond to: 1) the corresponding average CAGR reported by the BCAT trial organizations (blue); 2) average pre-trial Q12 results (brown); and 3) average post-trial Q12 results (green).

Notes:

- Organizations with higher initial BCAT Index of Alignment (IA) scores reported higher rates of top-line growth.
- Organizations with lower BCAT IA scores also showed lower BCAT pre-trial employee engagement.
- BCAT intervention programs were shown to variably improve employee engagement as measured by Gallup's Q12 survey, with the greatest improvement (>2x) observed in organizations with the lowest pre-trial Q12 scores.

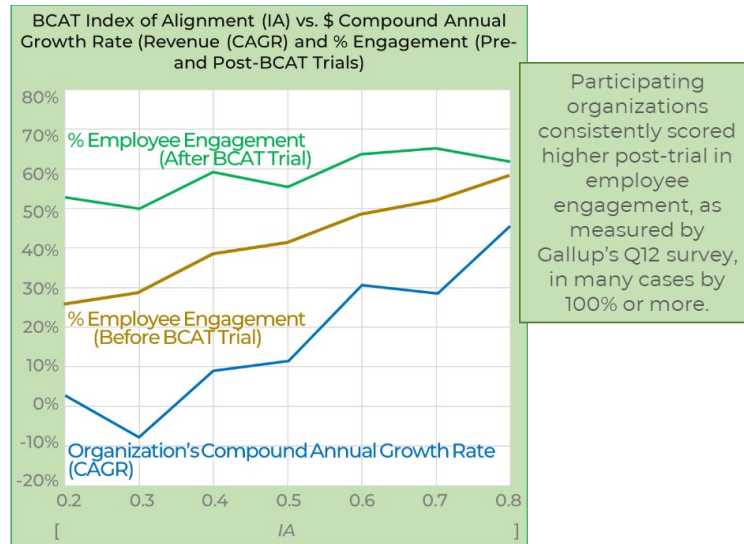


Figure 3.

IA (horizontal x axis) vs \$ Compound Annual Growth Rate (Revenue CAGR) and % Engagement (pre- and Post-BCAT Trials) (vertical y axis).

Representative Case Study

Organization: Regional multi-office accounting firm, ~170 employees

Line of Business: Accounting, Payroll and Financial Services

Structure: Partnership, 15-16 Senior and Junior Partners

BCAT Sponsor: Managing Partner (then 30% owner; now 90% owner)

Issues:

- Lack of differentiation in the firm's Brand was hampering their go-to-market tactics
- Broad disagreement on various management and governance issues caused morale problems among the firm's leadership and employees
- Strongly expressed passive-aggressive disagreement on various aspects of the firm's strategy, particularly its growth strategy, interfered with business initiatives and internal performance improvement projects
- Growth was further hindered by reluctance among several partners to take an active role in business development efforts

Major Goals:

- Increase number of new clients earned by referrals from existing clients
- Encourage leadership (and all employees) to become more active on social media on behalf of the firm
- Move the firm's junior associates forward in earning professional certifications

Program Timeline:

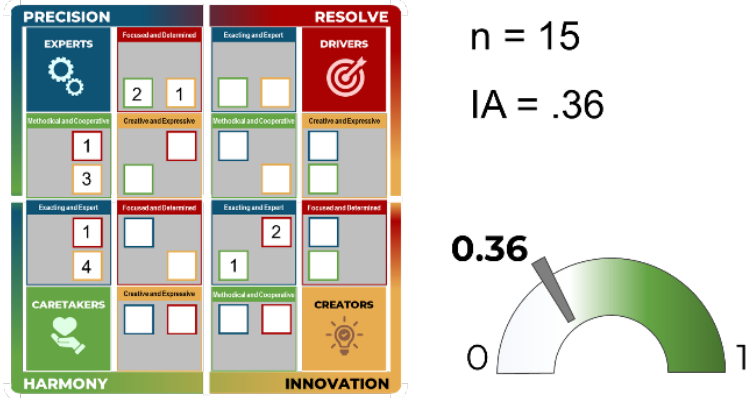


Figure 4.

Initial BCAT survey results for the firm’s leadership team indicated a low Index of Alignment (.36) with a general loading of responses on the “Precision” factor of the BCAT Standard Model that is typical of their industry.

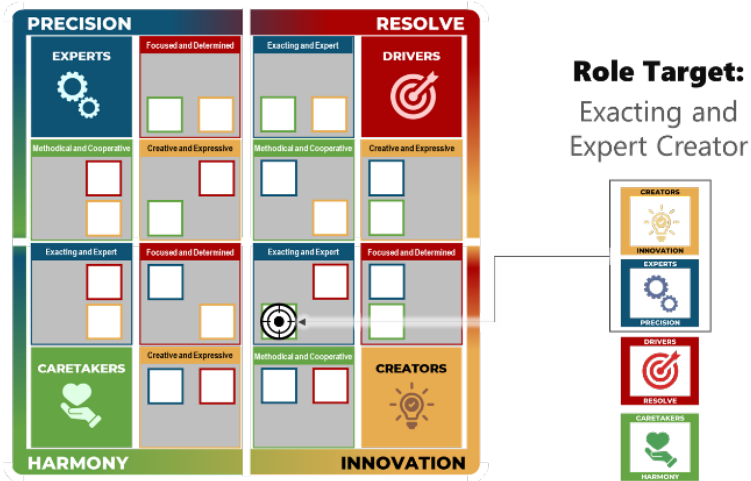


Figure 5.

Three weeks later: Following the BCAT Role Target de-brief and workshop, the firm’s leadership team agreed that the correct Consensus Role Target for their firm was “Exacting and Expert Creator,” a potential market differentiator for their firm (Innovation).

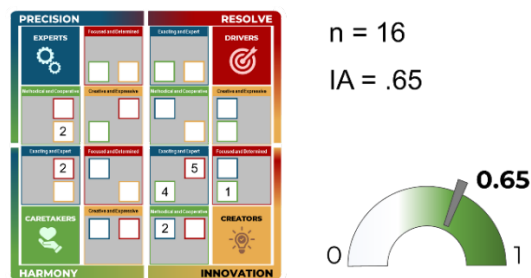


Figure 6.

9 weeks later: After a series of half-day bi-weekly Personal Alignment Planning workshops, a follow-up BCAT Survey assessed the leadership team's Index of Alignment at .65, clustered around their Consensus Role Target in the Innovation quadrant.

Based on these results, Personal Alignment Planning workshops were scheduled for all the firm's employees.

Outcomes:

- Five of the seven junior associates who set alignment goals to complete their certifications did so within the following 9 months.
- The branding differentiator in their Consensus Role Target – Innovation – became a popular group presentation and social media theme for the firm.
- The leadership team's members became more actively involved in marketing the firm's services, and, after their Personal Alignment Planning workshops, so did the firm's employees.
- This resulted in a 12% increase in new-client onboarding during the following year.

Conclusions

- Confirming [Gallup's findings as reported in their "State of the American Workplace,"](#) we found evidence of a relationship between engagement and organizational growth (CAGR).
- Confirming the effectiveness of our BCAT team alignment instruments and methodology, we found engagement increased from 32% to 66%. This conclusion is based on Q12 pre- and post-test results (90-180 days) from 620 participants in 60+ groups, departments and teams within 13 different commercial and non-profit organizations, including media, manufacturing and service delivery, studied between 2013 and 2015.
- We found sufficient evidence to suggest that improving the Index of Alignment (IA) and % engagement of a TMT can accelerate growth (CAGR). (This hypothesis warrants further long-term study.)

* References:

Hambrick, D. C. (1994). Top management groups: A conceptual integration and reconsideration of the 'team' label. In B. M. Staw & L. L. Cummings (Eds.), *Research in organizational behavior* (pp. 171–214). Greenwich, Connecticut: JAI Press.

Hambrick, D. C. (1998). Corporate coherence and the top management team. In D. C. Hambrick, D. A. Nadler, & M. L. Tushman (Eds.), *Navigating change: How CEOs, top teams, and boards steer transformation* (pp. 123–140). Boston, MA: Harvard Business School Press.



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