Harnessing Diversity and Collective Action in the Top Management Team

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Diversity has become an important issue at all levels of the company from the boardroom to the back office. It is increasingly apparent that diversity is vital to productivity, with academic research indicating an important link between diverse top management team (TMT) composition and corporate performance. However, the nature of this link remains elusive, as there is little accessible research that can help top teams to evaluate how diversity impacts on their strategic capacity. This paper seeks to fill this gap by developing a conceptual framework, illustrated with case examples, to explain the relationships between TMT diversity and TMT collective action. As collective action is difficult to attain from top teams that are high in diversity, six practical processes are developed from this framework for establishing and exploiting top team strategic capacity. The paper concludes by outlining the theoretical implications of the framework.

"It is the range of skills and attributes acquired through a diversity of experiences and backgrounds that combine to create a cohesive and effective board."\(^1\)

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Introduction

The clarion call for workplaces to embrace diversity in order to improve performance resounds at every level from the production line to the boardroom. Employers are advised to utilise better the diversity in their workforce to add value to their companies.\(^2\) This diversity–performance relationship is important at all levels of the company including the top team. For example, a survey of 1,000 US companies found that diversity in the top management team (TMT) results in superior company performance, while the recent Higgs and Tyson reports recommend diversity to improve corporate governance.\(^3\) However, the nature of diversity is
still poorly understood in practice and academic research remains divided on the degree to which diversity in the TMT improves corporate performance. In this paper, we unpack the concept of diversity and explain why it might either enhance or detract from company performance. We maintain that balancing top team diversity with collective action constitutes a TMT’s strategic capacity and, hence, influences company performance.

The paper is in four sections. First, a synthesis of the literature explains the nature of the demographic and informational forms of diversity at the top team level as well as the psychological indicators of diversity, which increasingly comprise an important aspect of senior management selection and training. Second, the paper develops the notion of ‘strategic capacity’ to link top team diversity with collective action. A framework is developed to summarise the strategic capacity of four ‘ideal type’ top teams: dysfunctional, consensual, conflictual and effective. With reference to case examples, we show how teams can, intentionally or unintentionally, move within these categories according to how they balance diversity with collective action. Third, six practical suggestions are offered for TMTs to develop processes that enable collective action and improved strategic capacity within diverse top teams. Finally, the theoretical implications and platform for future research arising from the framework are explained.

While many of the concepts presented in this paper may be applied to teams at any level of the company, our focus is specifically on the top team and its strategic capacity. Our concepts and examples deal with top teams at different levels of the company from the strategic business unit to the corporate level and are equally applicable in public, not-for-profit and private sector contexts. We draw on our research and consultancy with such teams to provide five examples that illustrate key issues in TMT diversity and its impact on collective strategic action. Apart from a few well-known cases, the names and details of these examples are kept anonymous to ensure confidentiality. The paper brings important top team concepts together within a single framework that has both practical implications for top teams and also provides a theoretical platform for future research.

**TMT diversity: a double-edged sword**

In this section, we explain how demographic, informational and behavioural diversity influence TMT strategic capacity. Demographic diversity refers to obvious differences, such as gender, age and race. Informational diversity is related to the different functional, experiential and educational backgrounds that members bring to a team. Behavioural diversity involves the different personality styles within a team. The different impact of these measures of diversity on TMT strategic capacity is explained in terms of their productive or non-productive potential for strategy-making.

**Who is in the team? Demographic diversity**

At the demographic level, team diversity refers to variables, such as gender, age and race that are apparent measures of difference. These indicators of diversity are proxy measures for deeper cognitive, informational and value differences, as a young woman might have different information, experiences and perspectives to bring to a strategic issue than an older man. Similarly, people of different ethnic backgrounds might bring different values and perspectives to the strategy-making process. However, demographics do not provide accurate reflections of difference. For example, a top team at ‘Motors-R-Us’ (Exhibit 1) had different ethnic backgrounds that reflected the ethnic diversity of the workforce on the premise that this would help with strategy implementation. However, all four team members had similar personality traits and areas of expertise and actually displayed quite low diversity in their working styles. Furthermore, the longer a team is together, the more members gain familiarity with each other and the less these demographic measures indicate true diversity. Over time, differences of race, gender or age become familiar and cease to be remarkable. Since the diversity impact of
Exhibit 1.
What you see is not what you get...

An automotive manufacturer, Motors-R-Us, was developing a new engine facility and selected the top team to run this division based on its previous technical ability. The team appeared to be diverse demographically, with representatives of Caucasian and Asian ethnic groups from UK and European backgrounds that reflected the diversity of the labour force they were to manage. The new team of four was responsible for developing the new business and ensuring that a viable new product was brought on line, on time. This team had to ensure the identification and acquisition of the new machinery that would be used to create the engines, and a workforce who could be trained to run the facility.

The new team spent much of its first few months concentrating on the layout of the site, ensuring that the right machines were procured and put in the correct place. The leader, Ralph, wanted the colour of the machines to identify different zones and was keen to introduce an atmosphere of cleanliness to the plant from the onset. The company saw this as an opportunity to introduce new production practices and so was concerned that the new workforce embraced team-working, just-in-time and other labour practices common in Japan.

Over time the CEO of Motors-R-Us’s parent company became increasingly concerned, as it emerged that the new top team had very strong technical ability but it was not progressing quickly enough with labour changes. In order to provide it with more expertise in this area, a fifth member of the team, John, was brought in by the CEO from elsewhere in the company. John had technical skills but was also experienced in working with the desired labour practices and had the sensitivity to deal with the growing volume of labour relations type disputes that were starting to arise.

After two weeks in his new job, John requested help from one of the authors in managing the increasingly strained relationships with the rest of the senior team. Two distinct personality types were identified in the team by using the MBTI. The original four members of the team all shared the same Sensing, Thinking and Judgment preferences. As a result, their focus was firmly on gathering the facts, determining through logic the right answer and implementing their response within a timeframe. There was little concern or engagement with the people involved in delivering the process. John’s profile, however, was the complete opposite; he had an Extroverted, Intuitive, Feeling and Perceiving preference. His tendency was to work with others to develop and understand the big picture and then to determine what was important in the situation in order to ensure that everyone was involved and willing to participate in the solution. His style was to work right up to the deadline, with the ability to change as required. While, on the face of it, this appeared to be a demographically diverse top team, the MBTI revealed a different picture and a strong clash of personality types was developing.

Through two facilitated workshops, the senior team worked on identifying its strengths and weaknesses. It looked at how it worked together, and using the MBTI framework, identified some ground rules to improve the working environment. Following this, a new respect emerged from the original team as to how John might help them achieve the goals. The team decided to divide the plant into four areas giving all of the original team responsibility for an area, but with John helping each to co-ordinate the labour and the new working practices. The CEO was pleased that the team now saw the labour issue as important in achieving the company’s goals. In order to get the staff on board, John suggested a competition to name the new engine. Ralph was a bit put out by this as he thought naming the engine was his prerogative, but after he saw the
impact this act had on workers’ involvement and read some of the suggestions, he con-
ceded that they were a lot better than his original name.

The MBTI helped the senior team understand its opposition to John. It helped John
appreciate its styles and the value of its contribution. The instrument was important as it
named and explained the behavioural styles. It enabled the team members to respect
and appreciate their differences, and to turn a very dysfunctional team into a far more
effective group for running the new business unit.

demographic indicators shifts over the tenure of a team, these obvious measures are not suffi-
ciently robust to evaluate and understand the effects of TMT diversity upon strategic capacity.  

What does the team know? Informational diversity
Top teams have the problem of crafting strategy in environments where strategic decisions
involve high risk and yet where information may be inaccurate, unavailable or obsolete. Infor-
mational diversity provides a team with a wider pool of information, experience and exposure
to external boundaries, networks and environmental conditions from which to sense market
change and to position the company strategy. Hence, it has a more robust impact on TMT
strategic capacity than demographic diversity.

People of different ethnic backgrounds might bring different values and
perspectives to the strategy-making process.

Informational diversity is based on different functional, educational and industry experience
backgrounds that constitute information and knowledge resources upon which the team
draws. A range of functional backgrounds in the top team, such as marketing, finance, opera-
tions, R&D and IT is desirable for improving the team’s capacity to co-ordinate the develop-
ment and implementation of strategy across the company. By contrast, a team composed
primarily of people from a similar functional background, such as accounting, might have
strong financial analysis skills but lower perception of customer needs or service requirements.
Such a team may be excellent at financial control but is less able to envision a strategy that
involves, for example, product renewal or changes in services and markets. In this example,
strategic capacity would be enhanced by the inclusion of marketing and R&D functions. As
with the team at Motors-R-Us, selected for technical ability, dominance of any particular
informational expertise will restrict the strategic capacity of the team.

The importance of informational diversity has long been recognised in Japanese manage-
ment, where individuals are commonly circulated through a variety of tasks and functions as
they progress up the career ladder so broadening the experience that they bring to senior man-
agement. Some Western companies, such as Wal-Mart, adopt a similar approach, moving
TMT members into different positions to broaden their skills and enhance their value to the
company.

We have always moved our best and brightest talent around the organisation to build the
broad skills and experience that will carry Wal-Mart into the future. A few years ago we
took our CIO, Bobby Martin, and asked him to run our international business. Three
years ago we asked Tom Coughlin, who had run our Sam’s business and was then running
our Speciality Division to head up Wal-Mart store operations. At the same time Lee Scott
moved from Logistics to lead our Merchandising team. These are three examples of this
cross-pollination that occurs throughout our company.
Cross-pollination of this type brings fresh informational insights to existing divisions and also enhances team capacity through the interaction and knowledge-sharing needed for team members to understand their new roles. However, experience within the same company may not be sufficient to provide a team with the requisite informational diversity. Top managers who have long-term industry experience are able to develop detailed cognitive understandings of the competitive conditions of their industry. However, such teams will be restricted in their ability to envision new markets and strategies and become myopic about industry conditions. Diverse industry experience backgrounds add to the strategic capacity of the team by broadening the boundaries for envisioning strategic opportunities. Wide industry experience also provides access to more diverse social and professional networks that give a TMT sensitivity to subtle currents in the market from which to gauge changing trends and anticipate or even stimulate market renewal. Since few, if any, competitive environments are stable, informational diversity within the top team may improve the strategy-making process and hence corporate performance.

Diversity is, however, something of a double-edged sword. Where there is high diversity, teams enter into debate due to their different perceptions of the strategic environment and the range of possible strategic options. Rather than accepting existing strategies and routine ways of operating, diverse teams are liable to engage in conflict, fuelled by their different perspectives. By contrast, teams with low diversity have more common perceptions of the competitive environment, generate fewer strategic options, and are prone to regenerating existing strategies. Such teams are prone to competency traps and performance decline, whereas team members that challenge each other’s assumptions can develop more comprehensive, broadly framed strategies and better-justified decisions. This type of conflict is based around the strategy-making task and is termed productive or ‘task’ conflict because it broadens the strategic arena and improves the strategy-making process.

However, conflict is difficult to manage productively. When people are faced with diversity, they must work with individuals whom they do not easily understand, which increases the uncertainty associated with strategy-making. Given that senior people have a lot to lose if a strategy fails, what begins as productive, task-based conflict that challenges other’s assumptions about a strategic issue may rapidly deteriorate into non-productive social conflict in which challenges are perceived as an attack on personal values, resulting in defensive and political behaviour. Thus, while high diversity has the potential to improve TMT strategic capacity, it may also be associated with lower performance, depending upon whether it results in productive ‘task’ conflict or destructive ‘social’ conflict.

The personality composition of the team will strongly affect the way the members work together.

How does the team behave? Psychological diversity
While demographic and informational measures are justifiable indicators of potential strategic capacity, they provide only partial data, as they do not evaluate the deeper and more enduring level of behavioural diversity. Psychology provides a more robust form of measuring diversity, based on personality characteristics, though this is still under-utilised at the top team level. Psychometric testing measures diversity along various dimensions of personality. Diversity in personality is important to the strategic capacity of the team in two ways. First, personality is a more robust indicator of difference as the diversity associated with different personality traits is considered to be stable over time. Team members may come to accommodate each other’s personality difference as they gain familiarity but these differences will still contribute to a diversity effect. Second, the personality composition of the team will strongly affect the way the
members work together and the team’s predisposition to productive task or non-productive social conflict.

Psychometric measures indicate a relationship between behavioural characteristics and a team’s ability to perform tasks collectively. Psychometric assessment, therefore, provides a means of capturing the relationship between TMT diversity and strategic capacity. While there are a number of tests that can measure behavioural diversity, most people are familiar with the Myers Briggs Type Indicator (MBTI). In the exhibits presented in this paper, the authors have used other psychometric indicators as well. We use the MBTI to illustrate the relationships between behavioural diversity and TMT strategic capacity. The MBTI provides individuals with information relating to four key style preferences focusing on their energising, attention, deciding, and organising behaviours. Each of these four factors is assessed along a bipolar continuum. As seen in Table 1, a common area of difference for team members is in their personal experience of team interaction. Extroverts find that the challenging nature of boardroom interaction energises them, whereas introverts prefer to have advance notice of the main topics to ensure that they can reflect and present more considered responses. The second area of behavioural difference concerns attention preferences, identifying those who focus on concrete information or those who adopt a more intuitive big-picture style. The third dimension contrasts those who make decisions based on rational thinking versus those who base decisions on group values and shared common ground. Finally, there are those who prefer to engage in a more planned, purposeful approach to strategy implementation, seeking to antici-
pate and ensure contingency plans, compared with those who prefer a more emergent and adaptive approach.

Psychological measures can therefore expose hidden diversity that might affect collective strategic action. Teams that contain a balance of behavioural styles on the MBTI are found to have enhanced problem-solving capacity but may also be prone to team conflict. For example, while the behaviourally homogenous team at Motors-R-Us were having problems implementing the new business unit strategy, they experienced conflict when the team diversified its behavioural profile. It took facilitated workshops using the MBTI for members of the team to understand why they had problems implementing strategy and also to realise why they had an initially hostile reaction to a new team member. They were then able to value his preferences in getting the workforce on their side.

Evaluation of behavioural composition and awareness of behavioural preferences can help a team understand its strengths but also reveal aspects of strategic capacity that require more attention. For example, the initial top team at Cornerstone (Exhibit 2) was good at generating ideas but not good at following them through. However, when the CEO changed the team composition he selected, instinctively, similar behavioural types, which is a common trap. The subsequent, extrovert-dominated team was unaware of the valuable role its ‘Introvert’ had played in controlling expenditure until he left the team. If the second team had incorporated some ‘Feeling’ and ‘Perceiving’ types to balance its ‘Thinking’ and ‘Judging’ dominance, as Motors-R-Us gained with its new team member, it might have improved its problem of implementing initiatives and so continued to attract funding.

It is naive to argue that the TMT can simply be selected for diversity. However, psychometric assessments such as the MBTI can enable a TMT to work more effectively with its existing behavioural composition by identifying its tendencies or even strategy-making areas it may be prone to ignore. While TMT members may have undertaken psychometric assessment at some stage in their career, it is rare for these evaluations of behavioural diversity to be undertaken whenever there is a change in team composition. For example, psychometrics can help during CEO succession or under merger and acquisition conditions where new team members come together. Indeed, psychometrics are an increasingly important consultancy tool for executive search and selection and integrating mergers. To be effective, psychometric assessment needs to assist the TMT in recognising the potential strengths and weaknesses of its behavioural composition, improve productive management of conflict and so create value from behavioural diversity, as at Motors-R-Us.

Diversity is important to the strategic capacity of the top team, improving its capacity to deal with dynamic and volatile environments and so enhance corporate performance. However, diversity is a complex matter involving demographic, informational and behavioural differences that may be difficult to manage productively. In the next section, we explain the relationship between top team diversity and collective strategic action, before going on to suggest, in Section 3, ways in which top teams may improve their processes for managing diversity to enhance strategic capacity.

Strategic capacity: diversity and collective action
We term the TMT’s ability to work together while retaining the capacity for ongoing questioning and debate throughout the strategy process, TMT ‘collective action’. This means a team may be able to act collectively despite holding different perceptions about the strategic and business environment. The potential TMT strategic capacity occasioned by high TMT diversity and collective action is complex, placing the top team dynamic under considerable stress. In Figure 1, we develop a framework that illustrates the potential strategic capacity of top teams that have both diversity and collective action. The horizontal axis shows the capacity of the team to undertake collective action despite differences of opinion. The vertical axis deals with the demographic, informational and behavioural diversity of the team. While teams may
Exhibit 2. All singing from the same hymn sheet?

Cornerstone was a not-for-profit organisation based in the northwest of the UK. This organisation had experienced unprecedented growth in its sector. It had won numerous awards and was known as a change-orientated organisation. The new chief executive, Paul (ENTJ), inherited some members of the executive team (2* ENTP, 1* ISTJ), sacked two others and then added five more (1* ESFJ, 2* ESTJ and 2* ENTJ).

Team 1
The team of nine was known for its drive and flair in anticipating the new government’s agenda in this domain. They met as a team and as working sub-groups regularly to try and achieve consensus. After five years of continual new programmes, the CEO decided that the top team was not as effective as it could be. He felt it was wasting time and wanted to look at the structure of the business to see if it could be improved. The problem lay in the consolidation and implementation of these new initiatives; his team just spent all its time devising new schemes, rather than putting the existing ones fully into practice. In changing the structure, the CEO decided to reduce the size of the main board. This was achieved by the resignation of the ESFJ member owing to ill health, and through the sidelining or redundancy of all the ’inherited’ board members. Thus the streamlined board became ENTJ dominant (3) with the others sharing the ETJ dominance.

Team 2
Over the next two years, the organisation retained its change agenda, but problems began to emerge resulting, for example, in a significant overspend in an area the ISTJ had previously controlled and the ongoing failure to drive changes through the rest of the business. As a result of these problems, the organisation was failing to attract new funding.

The new board configuration had reduced the number of direct reports for the CEO, so he felt he had more time to concentrate on the core business, but this had been achieved by reducing the diversity of members. The board had become a tight-knit group, which members said was more supportive, but was in fact, dominated by rivalries as board members vied for position as the CEO’s favourite. The leadership style of the board was ‘command and control-based’, expecting others to implement the agenda. The strong Thinking and Judging dominance did not provide consideration for the feelings and values of subordinates; they were merely expected to manage the details.

The frustration of the CEO at the lack of progress and the loss of funding opportunities erupted one evening at the end of an away-day. He lost his temper with the
primarily be aware of external signs of diversity, such as gender, ethnicity and social background, a more complete diversity profile can be gained by monitoring behavioural diversity. The different relationships between diversity and collective action give rise to four types of team: dysfunctional, consensual, conflictual and effective. We now explain these four archetypes.

Quadrant A is the Dysfunctional TMT, recognisable in Exhibits 2 and 3, in which the team is low in diversity and therefore should be able to achieve collective action. Such teams may share understanding but do not share commitment. Rather, because of poor team dynamics, there is non-productive social conflict and political behaviour related to self-interest. For example, the second smaller team at Cornerstone was low in diversity but over time became increasingly political, destroying the team through conflict. Similarly, the team at Marks and Spencer (Exhibit 3) during the final phases of Sir Richard Greenbury’s reign descended into destructive political behaviour that damaged the company’s reputation. A dysfunctional team is unable to function collectively and so has low strategic capacity for improving company performance. Even if it has sufficient information to make a sound strategic decision, the members of a dysfunctional TMT may choose action that they know will not optimise corporate performance in order to satisfy self-interest and internal team politics.

A dysfunctional team is unable to function collectively and so has low strategic capacity for improving company performance.

![Diagram](image)

**Figure 1. TMT strategic capacity: diversity and collective action**

Diversity = demographic, informational and behavioural diversity  
Collective action = capacity for acting as a collective unit
Quadrant B is the **Consensual TMT**. This team has shared understanding and sufficiently agreeable team dynamics to attain commitment to collective action. Such teams are able to act as a unit and may be quite effective under stable business conditions where routine decisions and furthering of existing strategies are optimal. However, their weakness is that they are prone to groupthink and they do not seek adequate information to make broad judgments on strategic issues. Consensual teams become trapped in agreement over past and present strategy routines and are unable to conceptualise change, even in the face of performance downturn. Team members with long experience in a single industry and high familiarity with each other fail to recognise novel strategic problems or a changing environment, resulting in strategic inertia.

In consensual teams, low diversity has a negative effect on company performance that, over time, deteriorates team strategic capacity. For example, the team at M&S illustrates the predispositions to strategic inertia in Quadrant B and shows how subsequent poor performance may damage the team dynamic so that it lapses into the dysfunctional behaviour of Quadrant A.
Similarly, the second team at Cornerstone was low in diversity and was consensual at the outset. However, as the company began to lose funding, the team’s dynamic deteriorated into dysfunctional politics. The Consensual TMT has some important components of TMT strategic capacity in that the members are able to work together but are limited in terms of the variety that they can encompass, which is a handicap in a dynamic business environment. Over time, such teams may be prone to deterioration in their strategic capacity, moving towards Quadrant A, as their overly consensual behaviour results in declining corporate performance.

In Quadrant C, the Conflictual Team, we see many of the problems associated with TMT diversity. The Conflictual Team has sufficient diversity to generate a wide variety of perspectives on strategic issues but is unable either to develop shared understanding or to commit to common courses of action. This results in a low capacity for team-work as well as conflict over strategic goals and actions. Because of its diverse inputs, this team has the capacity for quality decision-making and potential for innovation; however, it is unable to attain the collectivity necessary for action. The inability to agree on action may turn potentially healthy task conflict and dialectic inquiry into non-productive social conflict. As such, the Conflictual TMT is unable to realise its potential strategic capacity and is prone to slide towards Quadrant A. The first team at Cornerstone had high innovation capacity but was unable to generate collective action. It needed to work on its processes of committing to and implementing strategic action in order to become more effective and move towards Quadrant D. Instead, it attempted to resolve its problems by decreasing its diversity, gradually moving towards the consensual quadrant and then the dysfunctional type.

Quadrant D is the ‘ideal type’, the Effective TMT, in which members are able to balance diversity with understanding of each other’s perspectives. The team also has the ability to commit to shared strategic action. In this team, it is possible to have productive disagreement and task conflict without the team dynamic deteriorating into social conflict. Furthermore, members of the top team are able to engage in collective action without losing the ability to question each other, so avoiding overly consensual behaviour. However, as research on top teams and teams in general shows, diversity is commonly associated with low collective action. It is not diversity itself that brings positive outcomes, but the way that the social process of diversity is managed. For example, diversity is found to lead to better decision quality and innovation only when there is openness, collaborative participation and freedom to express doubts within a team. The team at Creative Design Solutions (Exhibit 4) was able to utilise its diversity to enhance performance because it was aware of the strategic value of its diverse composition and worked hard at maintaining the team dynamic as it implemented strategies. This team in a high-risk environment was able to recognise the members’ mutual dependency and their diverse abilities to manage the demands of different stakeholders. Through an appreciation of the importance of all members of the team, this example consistently achieved collective action with projects on time and to budget, enhancing the company’s reputation.

Figure 1 provides an explanatory framework for understanding how diversity and collective action impact upon top team strategic capacity. It emphasises that the strategic capacity of a team can progress or deteriorate, depending on how diversity and collective action are managed. In the next section, we propose some practical steps through which top teams can work towards quadrant D; balancing diversity and collective action in order to improve their strategic capacity.

Managing diversity and collective action: getting the process right

One of the problems of establishing collective action in TMTs is the conflict between career demands involved in getting to the top and those involved in being effective at the top. The promotion route to the top team is based on the recognition of an individual’s talents and skills. It involves the individual being seen as a high achiever and more capable than his or her peers. While success in getting to the top requires a strong individual career focus, being effective in the top team requires a different way of working. The transition to the TMT moves...
a person from ‘winning’ as an individual to ‘winning’ through effective team-work, which is likely to require learning new interaction skills through executive coaching or team facilitation. Career advancement also requires the individual to be involved in skilful political manoeuvring. While political behaviour is important in getting to the TMT and in successfully managing the external context, such behaviour may actually be detrimental to the top team. For example, angling for the CEO’s job at M&S and jockeying for favour at Cornerstone destroyed the team climates and affected the performance of each company. The achievements of a TMT are based on coherent collective actions and not those of individuals operating out of self-interest. It is, therefore, important that top teams develop effective processes for managing the collective action of diverse individuals. We now recommend six inter-related processes that can enhance top team strategic capacity by balancing diversity with collective action: diversity

Exhibit 4.
Managing diversity effectively

Creative Design Solutions is a property development company that specialises in managing the building of high-risk projects for clients. An important part of the TMT’s role is reducing the conflict between investors, architects and building contractors in order to ensure that unique and innovative designs are realised on time and on budget. This team recently worked on a very sensitive project overseeing the building of an award-winning design by architects who had never had anything built before. This is a high-risk business where the costs of getting it wrong are very high. Following the team over 30 months, one of the authors saw in-depth how it managed to work successfully together and with each of its client groups to achieve a more than satisfactory outcome.

A key to the team’s effectiveness lies in the diversity of its composition. Using a new psychometric measure, the Innovation Potential Indicator (IPI), we found high levels of diversity in the team’s five members. This measure assesses four dimensions: the team differ on all. Consistency of work style involves the need for a methodical and consistent approach to its work—one is low, two are middling and two high. Another dimension, adaptation, focuses on the need to adhere to traditional and established ways of working—one is very low, three are middling and one high. A further dimension, challenging behaviour, concerns the active challenging of others’ point of view—here, the team has two very low members, but the others are all high. Finally, motivation to change reflects a desire to try changing things—four of the team are high and one medium.

Through awareness of each other’s behavioural preferences and a careful balancing of working styles, the team has ensured that:

- it has the flair to see new possibilities and change direction to embrace new ideas and ways of working;
- it has a detailed and consistent side that ensures new ideas are costed and followed through effectively;
- the team members are not afraid to challenge each other or those outside to ensure a rigorous debate occurs before any new idea is accepted.

Over the project’s duration, the team worked hard to ensure that each of them was involved and managed to bring the project in on time and slightly under budget. Despite working under enormous pressure, the members’ respect and value for each other means their relationship has thrived over the five years of the team’s tenure. The team’s behavioural diversity enables it to be effective in a very difficult and high-risk market and ensures that the team, its clients and contractors prosper.
evaluation, super-ordinate goals, learning, regular process reviews, external facilitation and
team leadership.

**Valuing diversity through diversity evaluation**

First, teams need to evaluate their diversity around a broad range of indicators including
demographic, informational and behavioural differences. As the Motors-R-Us example shows,
partial indicators of diversity, such as demographics, are useful but not sufficient to ensure
strategic capacity of the team. Similarly, lack of behavioural diversity awareness, as at Corner-
stone, can inhibit strategic capacity. Table 2 summarises the different implications of each type
of diversity for strategic capacity. In particular, we emphasise the value of going beyond demo-
graphic and informational measures by using robust psychometric tools for evaluation, in
order to gauge behavioural diversity and its potential impact on top team strategic capacity. 30

While consulting and recruitment firms are recognising the value of psychometric evaluation
of team diversity, particularly in managing merger integration, it is equally important that top
teams themselves appreciate the importance of diversity evaluation. They should evaluate the
fit between the individual, the strategic capacity of the team, and the strategy needs of the com-
pany. Had Cornerstone valued diversity more as it developed its second team, it might have
broadened the team’s behavioural profile to counteract its weaknesses in strategy implemen-
tation. Instead, it reinforced this problem by lowering diversity. As diversity evaluations are
potentially sensitive for members, external facilitation, as at Motors-R-Us, may be important,
particularly during team formation or change; a point which is dealt with in greater detail
below. A more holistic approach to evaluating TMT diversity is an important step in develop-
ing the strategic capacity of the top team.

**Developing super-ordinate goals**

As diverse teams tend not to share common interpretations of a strategic issue, the develop-
ment of super-ordinate or overarching goals is a way of agreeing to common action.31 A clearly
established process for open debate and interrogation of goals can identify conflicting strategic
objectives as well as the different individual perspectives of a diverse team.32 Participation in
the goal-setting process negates the need for partisan behaviour by executives on behalf of their
own divisions or personal interests.33 By contrast, teams with no say in goal-setting are likely to
have low ownership of strategies because the members do not feel included and are unable to
internalise the strategy.34 However the super-ordinate nature of goals primarily facilitates col-
lective action by directing conflict and debate over sub-goals and processes towards the super-
ordinate strategies agreed. For example, with external facilitation, the team at Motors-R-Us
was able to focus on the strategic goal, which was to develop labour-efficient, high quality, high
output production procedures, rather than squabbling over specifics of the production

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<th>Level</th>
<th>Evaluation</th>
<th>Applications to TMT strategic capacity</th>
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<td>Demographic</td>
<td>Race, gender, age</td>
<td>Potential awareness of difference and increased social conflict during team formation</td>
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<tr>
<td>Informational</td>
<td>Functional expertise Industry experience</td>
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<tr>
<td>Behavioural</td>
<td>Underlying personality and behavioural preferences</td>
<td>Overarching and more enduring evidence of team diversity, offering potential process strengths and areas of challenge to team dynamic</td>
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</table>
technologies. Agreeing super-ordinate goals aligns disparate business activities around a common good and also aligns a diverse TMT in collective action, despite ongoing differences in interpretation.

**Teams with no say in goal-setting are likely to have low ownership of strategies because the members do not feel included.**

**Learning**

Team processes can be supported through the development of an internal dynamic that focuses on learning. The creation of a learning dynamic fundamentally shifts the assumptions made about errors, so that they are seen as unintentional and potentially beneficial acts rather than in some way devious. When the team develops a process of learning from mistakes rather than apportioning blame, it mitigates some of the difficulties associated with strategy-making under conditions of risk and uncertainty by using problems to increase the knowledge base. A learning approach also frees up the team to solve the emergent problem rather than creating a potential witch-hunt that would divert attention. At Creative Design Solutions, the team had a high propensity towards change and used this behavioural characteristic positively to create a learning dynamic where the members felt confident to challenge each other. The benefits of a learning dynamic are mutually reinforcing. Learning legitimises debate and reafirms focus upon the super-ordinate goals, avoiding destructive personal conflict. Focus on super-ordinate goals then improves learning about the tasks necessary to achieve them, generating a virtuous circle of team processes. Through creating environments in which members feel it is safe to air errors and mistakes, the team can examine problems, determine more effective strategy-making processes, and so improve its strategic capacity.

**Regular process review**

Top team strategic capacity is not something that can be left on the shelf until it is needed. It must be worked at regularly since the dynamic on which it is based is fragile and can be strengthened or weakened by the quality of team processes. Deliberate process reviews, such as those undertaken at Exploration (Exhibit 5), can identify problems and improve specific aspects of the team’s strategic capacity. While top teams tend to neglect process reviews due to time constraints, new membership offers an opportunity for review, which may then be routinised. Facilitated team-building techniques should be used whenever team composition changes. This will enable new members to integrate rapidly into the team. Strategic goals can also be revised so that new members can understand and contribute from the outset. This is particularly important for diverse teams where distinct and varied views of the company’s output and its potential markets may emerge, revealing new initiatives for the company to pursue. Process review also allows the existing members to revisit and reflect on the relevance of these goals to their current context. The strategic goals that emerge will be created and endorsed by all of the team. Regular process reviews are then important for developing the team dynamic and indicating areas of misunderstanding before they lead to unintended lapses into Conflictual or Dysfunctional team capacity.

**External facilitation**

Due to the complexity and potential sensitivity of managing diversity at the top, TMTs need facilitation to establish value-creating team processes. Teams are advised to use an outside facilitator, consultant or executive coach. The case study of Exploration shows how a trained facilitator can undertake evaluative measures of diversity including psychometric testing, point out the likely impact of a particular team’s composition upon its performance, and help it to
establish effective team-working processes based upon its compositional strengths and weaknesses. In particular, external facilitation can help a team that is experiencing problems with its dynamic to undertake and understand the implications of its psychometric profile. For example, at both Exploration and Motors-R-Us, facilitated workshops helped the teams understand the behavioural types within them and how to work together more effectively on different tasks. A facilitator provides the input to help teams work through their problems and arrive at super-ordinate goals. An external facilitator is also not bound by internal routines and procedures and so can help the team to change its behaviours. Off-site facilitation, such as 'strategy away-days', may be positive during team formation or during periods of major

Exhibit 5.
Building strategic capacity at Exploration

Oil Inc is an international petrochemical company with a major division ‘Exploration’ that identifies new energy sources and fossil reserves and extracts usable resources from its known reserves. The top team of Exploration comprises engineers and geologists from many different countries. The top team wanted to improve its team capacity as the strategic problems this division solves often require employees and contractors with very diverse skill sets to work creatively together. Mistakes are simply too costly. In addition to solving strategic problems, the division was also developing strategic scenarios for the future of energy sources.

While demographic and informational diversity within Exploration’s senior team was obvious, the division chief wanted to examine how his team could enhance its ability to work together and how the members could work more effectively on current problems and future strategy. The second author conducted interviews with all the senior team members to identify strengths and challenges for individuals and for the team as a whole. Then two psychometric tests were used to profile the team: the MBTI and the IPI. This gave the team a means of exploring what turned out to be substantial behavioural diversity, and enabled the second author to facilitate it in some “specific process” to improve its strategic capacity.

First, the psychometric profiles were discussed individually with members and then the team as a whole was examined using these models. These psychometric data, together with the results of the interviews, enabled the team to examine areas where it worked well together and also its conflict zones. The profiles increased the team’s awareness of the potential value of its differences and enhanced its ability to take a wider, task-focused view of the process problems it had been experiencing.

Second, at an externally facilitated workshop, the team developed processes for blue-sky thinking in order to examine the future of its sector. Following the groundwork on valuing diversity in its team profile and understanding how it affected the team’s day-to-day working, this process enabled different perspectives to be brought in and gave access to those who were previously marginalised. As a result, potential new areas for collaborative working were identified. The team used this process to identify and commit to its future objectives.

The division chief was pleased with the workshop impact but felt that it was important that he did more work examining his style and its impact. Through a year-long one-to-one coaching programme with the second author he reached new insights and understanding that helped to shift the division’s culture, particularly regarding how mistakes were viewed. The result enabled different options to be examined and better, often less obvious, solutions to be devised. The division saw daily how its different styles of working together enhanced the way it served the strategic needs and goals of Exploration and of Oil Inc.
change because new surroundings break existing patterns. We recommend that teams seek periodic facilitation in their strategy-making processes where they are more likely to lapse into non-productive team dynamics.

**Leadership**

External facilitation enables teams to develop their own effective team processes. On an ongoing basis, therefore, the role of leader as team enabler and facilitator cannot be over-emphasised. The leader is usually the CEO, who creates norms for the team’s behaviour and establishes the climate and conditions for team-working, including legitimising a focus upon team dynamics as well as team outputs. As the Cornerstone example shows, CEOs who focus on output to the detriment of team dynamics will fragment the team, generate political behaviour and lead to a Dysfunctional type. The CEO plays a vital role in fostering high participation in the strategy process and creating a context for ideas and information exchange that permits challenge and open expression of concerns. Where a CEO articulates these values but does not follow through in actions, teams will develop cynicism, mistrust and low commitment to action, with consequently lowered strategic capacity. Similarly, authoritative and controlling leadership reduces the innovation and renewal effects of top team diversity and generates conflict. By contrast, the leader’s behaviour in terms of open communication and demonstrating concern for others is important in creating effective team processes.

Since the personality and style of the leader is critical in the development of TMT strategic capacity, psychometric evaluation of the leader’s style is essential. CEO personality is primarily relevant in relation to interaction with other personalities in the team. Therefore, the CEO needs to evaluate his or her own behaviour in relation to the team behavioural profile. An external facilitator can help make the CEO aware of how his or her personality impacts on other team members as well as coach the CEO in effective team facilitation skills. Exploration provides a good example of a CEO who valued the impact of facilitation on his team’s strategic capacity to the extent that he undertook executive coaching to understand how he influenced the team dynamic. An external facilitator provides a safe and non-threatening environment for the team members to explore their interactions with the CEO. However, this should be supported by ongoing reflection by the CEO in respect of his or her contribution to an effective, beneficial and value-creating team dynamic.

These six processes—evaluating diversity, establishing super-ordinate goals, learning, regular process reviews, external facilitation and leadership—are important inter-related aspects of an effective top team that can embrace both diversity and collective action. Their relationship to top team strategic capacity is summarised in Table 3. The paper now explains the theoretical implications of our framework for future research.

**Theoretical implications**

Section 1 of this paper explained the importance of diversity and its complex nature but also showed that TMT strategic capacity is not a commodity that can be derived solely through diverse team composition. In Section 2, we emphasised collective action as an essential and difficult state for diverse teams to achieve, building a theoretical framework, Figure 1, that illustrates four potential relationships between diversity and collective action. This framework moves the theoretical debate on top team composition beyond considerations of diversity to examining the processes by which top teams can manage diversity with collective action, as well as those processes that deteriorate team strategic capacity. In Section 3, we proposed some useful practical steps that TMTs can take to improve their strategic capacity through greater awareness of their diversity and its implications and the development of processes that will enable collective action.

The four archetypes arising from our framework—the dysfunctional, consensual, conflictual, and effective team—also represent four ‘ideal types’ which indicate avenues for future research.
Because of changes in membership or the dynamic, teams are unlikely to remain in one quadrant. While our paper is not primarily empirical, seeking instead to explain the key concepts involved in evaluating and developing TMT strategic capacity and suggesting some practical steps for improving team processes, the brief illustrations provided suggest probable directional trajectories for teams. For example, conflictual teams in Quadrant C may reduce team diversity by changing their membership, potentially moving towards Quadrant B, consensual. Alternately, they might develop their team processes in order to harness their diversity in collective action, moving towards the effective team in Quadrant D.

The evidence in our illustrations also suggests potential developmental trajectories for consensual teams, which appear disposed to deteriorate into dysfunctional teams, particularly as the strategic inertia to which they are prone leads to declining company performance. This highlights the value of relating the movement between archetypes in our framework to changes in the external environment and company performance. This would further existing research on top teams, which relates demographic characteristics to environmental characteristics and company performance but ignores the process aspects of team development over time.  

Our framework provides a platform for future research to incorporate longitudinal methods to examine the developmental trajectories of teams. Such studies might investigate the propensity for movement between quadrants under different conditions. The dynamic nature of our

<table>
<thead>
<tr>
<th>Processes</th>
<th>Impact on TMT Strategic Capacity</th>
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<tbody>
<tr>
<td>Evaluate diversity</td>
<td>Awareness of diversity profile</td>
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<tr>
<td>Identify and value behavioural differences</td>
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<tr>
<td>Appreciate the potential fit between members’ profiles and the strategy process</td>
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<tr>
<td>Holistic approach to TMT composition</td>
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<tr>
<td>Establish super-ordinate goals</td>
<td>Align diverse perspectives in the participative formulation of strategic goals</td>
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<td>Legitimise open debate</td>
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<tr>
<td>Enhance healthy task-focused conflict</td>
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<tr>
<td>Create ownership: present more united front</td>
<td></td>
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<tr>
<td>Learning</td>
<td>Focus on development not blame</td>
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<tr>
<td>Legitimise debate and refocus on super-ordinate goals</td>
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<tr>
<td>Enhance healthy task-focused conflict</td>
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<tr>
<td>Improve problem-solving capacity</td>
<td></td>
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<tr>
<td>Regular process reviews</td>
<td>Workshop with each new TMT member: revisit strategic goals</td>
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<td>Space and place to reflect and develop processes to improve team-working as problems emerge</td>
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<tr>
<td>Pay attention to misunderstandings before the team dynamic deteriorates</td>
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<tr>
<td>External facilitator</td>
<td>Objective outsider to help understand potentially sensitive implications of team psychometric profile</td>
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<tr>
<td>Ensures team is aware of and capitalises on diversity</td>
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<tr>
<td>Recognise and develop processes to deal with diversity deficits and problems</td>
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<tr>
<td>Creation and acceptance of team behavioural norms</td>
<td></td>
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<tr>
<td>Facilitation and coaching</td>
<td>Both ‘away-days’ and in regular routinised meetings</td>
</tr>
<tr>
<td>Leadership</td>
<td>Understand CEO behaviour and impact on TMT dynamics</td>
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<tr>
<td>Legitimise how team works together</td>
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<tr>
<td>Create high quality communication environment</td>
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<td>Foster participation by all team members</td>
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<td>Reduce place of political behaviour</td>
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<tr>
<td>Dissipate blame into learning opportunities</td>
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</table>

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**Table 3. Developing processes to enhance TMT strategic capacity**

Because of changes in membership or the dynamic, teams are unlikely to remain in one quadrant. While our paper is not primarily empirical, seeking instead to explain the key concepts involved in evaluating and developing TMT strategic capacity and suggesting some practical steps for improving team processes, the brief illustrations provided suggest probable directional trajectories for teams. For example, conflictual teams in Quadrant C may reduce team diversity by changing their membership, potentially moving towards Quadrant B, consensual. Alternately, they might develop their team processes in order to harness their diversity in collective action, moving towards the effective team in Quadrant D.

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Our framework provides a platform for future research to incorporate longitudinal methods to examine the developmental trajectories of teams. Such studies might investigate the propensity for movement between quadrants under different conditions. The dynamic nature of our

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framework emphasises the importance of developing processual top team research, as research that focuses upon diversity solely from a composition perspective will neglect issues of collective action that are vital to TMT strategic capacity.

Conclusion
The role of the TMT is to develop strategies that enhance the profitability of the organisation. On the one hand, top teams have to determine strategy based, at best, on incomplete information. On the other hand, stakeholders are increasingly holding the TMT accountable for its decisions. The time is ripe for top teams to develop their strategic capacity. An important way for teams to improve their strategic capacity is through a diverse composition, which in this paper, we have elaborated in two ways. First, while external measures such as gender, ethnicity and informational background are useful proxies for underlying perceptual diversity, they are incomplete without understanding behavioural diversity, which can be indicated by psychometric profiling. Second, we illustrate that TMT strategic capacity cannot be derived solely through diverse composition. Indeed, diversity may have negative effects on the team if it does not work continuously at building links between diversity and its ability to act as a collective unit. While working on the team dynamic may seem time-consuming for busy executives, the poor organisational performance that is likely to result from poor team performance should highlight the value of establishing, and continuously re-establishing, a value-creating team dynamic; that is, one which develops and exploits the strategic capacity of the TMT. Through evaluation of diversity, super-ordinate goal development, regular process reviews, learning, skilled external facilitation and developing leadership, teams can productively manage diversity and collective action. In so doing, TMTs enhance their own strategic capacity and are better able to enhance the performance of the company.

Appendix A. Methods
The five exhibits of top teams in the public and not-for-profit sectors were derived from consulting projects, research projects and publicly available secondary data. The consulting projects all followed a three-phase model of in-depth interviews and psychometric diagnosis of the team profile and team-working problems, design of an appropriate intervention for the specific team, and delivery of the intervention involving facilitated workshops, which was then followed by ongoing one-to-one coaching in some cases. Further specifics of each case are as follows.

Exhibit 1: A consultancy project in a private sector firm using initial in-depth interviewing and MBTI profiling of the team, followed by two one-day facilitated workshops to improve the team-working processes.

Exhibit 2: In this not-for-profit organisation, an initial consultancy project involving in-depth interviewing and MBTI psychometric profiling was used for Team 1. Following the problems of the second team some years later, a further consultancy project used in-depth interviewing, MBTI and Fundamental Interpersonal Relations Orientation (FIRO) psychometric profiling, followed by a facilitated workshop. Each team member then had one-to-one coaching every three months for a year. One-to-one coaching is now continued every five to six months, though team members can also set up an appointment when they wish.

Exhibit 3: The M&S exhibit is derived from publicly-available secondary data, which is cited in the exhibit.

Exhibit 4: An ESRC-funded innovation phase II research project (Grant no: L125351001). This private sector case involved an initial taped in-depth interview of each team member and psychometric profiling using FIRO and the IPI as well as some broader organisational climate measures. The researcher then conducted eight taped meeting observations of the team while
they were working on projects over a year. At the end of the year, a final taped interview was conducted with each team member and an exit team profiling exercise.

Exhibit 5: A consultancy project using initial in-depth interviewing and MBTI and IPI psychometric profiling of each team member. This was followed by a two-day facilitated workshop to understand the implications of the team profile and develop better team-working processes. The MD then had one-to-one coaching every three months for a year.

References
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44. For example, in the exhibits presented in this paper the authors have used other psychometric indicators as well. In Exhibit 2, in addition to MBTI measures, the reduced board members also had strong control needs on a Fundamental Interpersonal Relations Orientation (FIRO) measure and in Exhibit 4 the Innovation Potential Indicator (IPI) was used to assess the team. Other forms of psychometric measurement and their relative strengths are available from the authors.
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