

CASE STUDY BAD BLOOD ON THE SENIOR TEAM

HOW SHOULD A CEO ADDRESS FRICTION
BETWEEN HIS CFO AND THE SALES CHIEF?

BY BORIS GROYSBERG AND
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The feedback in the 360-degree reviews was supposed to be anonymous.

But it was crystal clear who'd made the negative comments in the assessment of one executive.

Lance Best, the CEO of Barker Sports Apparel, was meeting with Nina Kelk, the company's general counsel, who also oversaw human resources. It had been a long day at the company's Birmingham, England, headquarters, and in the early evening the two were going over the evaluations of each of Lance's direct reports. Lance was struck by what he saw in CFO Damon Ewen's file. Most of the input was neutral, which was to be expected. Though brilliant and well respected, Damon wasn't the warmest of colleagues. But one person had given him the lowest ratings possible, and from the written remarks, Lance could tell that it was Ahmed Lund, Barker's head of sales. One read: "I've never worked with a bigger control freak in my life."

"These comments are pretty vicious," Lance said.

"You're surprised?" Nina asked.

"I guess not," Lance acknowledged.

His CFO and his sales chief had been at loggerheads for a while. Ahmed's 360 also contained a few pointed complaints about his working style¹—no doubt from Damon.

Lance sighed. Five years earlier, when he'd stepped into his role, he'd been focused on growing the company that his father, Eric—the previous CEO—had founded. Barker licensed the rights to put sports leagues' logos on merchandise and partnered with large brands to produce it for retail markets, and when Lance took the company over, its revenues were about £100 million. Soon after, he'd landed the firm's biggest partner, Howell. Negotiating the deal with the global brand had been a challenge, but it increased business so much that Lance and his direct reports still felt they didn't have enough hours in the day to get everything done. They certainly didn't have time for infighting like this.²

"So what do we do with this info?" Lance asked.



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HBR's fictionalized case studies present problems faced by leaders in real companies and offer solutions from experts. This one is based on the HBS Case Study "Blake Sports Apparel and Switch Activewear: Bringing the Executive Team Together," by Boris Groysberg and Katherine Connolly Baden (case no. 417048-PDF-ENG), which is available at [HBR.org](https://hbr.org).

Nina shrugged. “This is the first time I’ve been through this process myself.”

“Right. Clearly I’ve got to do something, though. I know that Ahmed and Damon aren’t mates, but I do expect them to be civil.”

Nina nodded, but Lance sensed she was biting her tongue. “You can be honest with me, Nina. I need your counsel.”

“Well,” she said tentatively, “I think that’s part of the problem. The expectation is that we’re civil, but that doesn’t translate to collaboration. We all trust you, but there isn’t a whole lot of trust between the team members.”³

“So does everyone think Damon is awful?” he asked, pointing to the report.

Nina shook her head. “It’s not just about him. You can see from the feedback that Ahmed isn’t a saint either. He picks fights with Damon, and the tension between them—and their teams—has been having a ripple effect on the rest of us. You see the finger-pointing. It seems like everyone is out for themselves.”

Although Lance hated hearing this, it wasn’t news. He’d just tried to convince himself that the problems were growing pains and would sort themselves out. After all, sales and finance were often at odds in organizations, and the conflict hadn’t had a big impact on Barker’s revenues. They’d grown 22% the previous year and 28% the year before that.

Of course, none of that growth had come easily, and opportunities had certainly been missed. Barker had dropped the ball on inquiries from several retailers interested in its products by failing to coordinate getting them into the company’s system quickly. Now, Lance realized that might be a sign of

more fallout to come. He needed to fix this. “My dad always wanted to do one of those team-building retreats,”⁴ he said, smiling. This had been a running joke among Barker’s executives for years. Whenever Eric had sensed tension, he would mention the idea, but he never followed through.

Nina laughed. “Unfortunately, I think we’re beyond that.”

THIS MESS

The next morning, Lance was in his office when he got a text from Jhumpa Bhandari, the head of product and merchandising: *Can you talk?*

Knowing this couldn’t be good, Lance called her immediately.

Skipping the formalities, she launched in: “You need to get them on the same page.” Lance didn’t have to ask who “them” was. “Ahmed has promised samples for the new line on the Clarkson account, but his order exceeds the limits accounting set, so we need Damon’s sign-off, and he won’t give it.”

This was a recurring fight. Ahmed accused Damon of throwing up roadblocks and using his power to undermine the sales department. Damon retorted that Ahmed was driving Barker into the ground by essentially giving products away. Lance went back and forth on whose side he took, depending on which of them was behaving worse. But he didn’t want to intervene again. Why couldn’t they just find a compromise?

Practically reading his mind, Jhumpa said, “They’ll stay in this standoff forever if you let them. It’s as if they’re in their own little fiefdoms; they act like they’re not even part of the same team.”

“Have you talked to them about this?”

“The holdup with Clarkson? Of course I have. But it doesn’t help. This situation is a mess.”

The last comment stung. The team wasn’t perfect, but it was still operating at a pretty high level.

“It would really help if you talked to them,” Jhumpa gently pleaded.

Lance thought back to the last time he’d sat down with Ahmed and Damon. Each had brought a binder filled with printouts of the e-mails they’d exchanged about a missed sale. Lance had marveled at how long it had probably taken each of them to prepare—never mind the wasted paper.

“Let me look into it,” Lance said. This had become his default response.

“Can I tell you what I’d do if I were in your shoes?” Jhumpa said. “Fire them both.”⁵

Though Lance had always appreciated her straightforwardness, he was taken aback. “Just kidding,” she added hastily. “What about having them work with a coach? I mean, we could all benefit from having someone to help us talk through how we handle conflicts and from establishing some new norms.”

Lance wondered if the firing comment had really been a joke, but he let it pass. “I did talk to that leadership development firm last year,” he said. “They had some coaching packages that seemed appealing, but we all agreed we were too busy with the new accounts.”

“Well, maybe we should make time now,” Jhumpa replied.

After they hung up, Lance was still thinking about the idea of letting

CASE STUDY CLASSROOM NOTES

1. Many Fortune 500 companies do 360-degree reviews, but researchers have raised concerns about the usefulness of the data they generate.

2. According to a study from CPP Global, 36% of U.S. employees say they always or frequently deal with conflict at work.

3. How critical is trust on teams? A Mars Inc. study showed that individual motivation drove collaboration more often than trust and relationships did.

4. Do team activities actually result in better collaboration? Or are they mostly feel-good exercises with little lasting effect?

5. Research from RHR International found that CEOs who replaced members of their senior teams actually wished they had done so sooner.

Ahmed and Damon go. Terrifying as the thought was, it might also be a relief. He'd heard of CEOs who'd cleaned house and replaced several top execs at once. He could keep Jhumpa, Nina, and a few others and bring in some fresh blood. It would be one surefire way to reset the team dynamics.

DOING JUST FINE

Later that afternoon, at the end of a regular meeting with the finance team, Lance asked Damon to stay behind.

"I heard there's a holdup on the Clarkson samples," he said.

"The usual. Sales needs to pare back the order. As soon as Ahmed does that, I can sign off," Damon said calmly.

"It doesn't sound like Ahmed's budging."

"He will."

Lance decided to wade in. "Is everything OK with you guys?"

"Same as usual. Why? What's going on? The numbers look great this quarter. We're doing just fine."

"I agree on one level, but I have concerns on another. It's taking six months to onboard new customers at a time when everyone is fighting for them."

"Is this about those 360 reviews? I tried to be fair in my feedback," Damon said a bit defensively.

"The input is anonymous, so I don't know who said what, but the tension between you and Ahmed is obvious."

"Of course it is. I'm the CFO and he's in charge of sales. If we're both doing our jobs well, there's going to be conflict.⁶ And that's what I'm doing: my job. I'm the keeper of the bottom line, and that means I'm going to butt

heads with a few people." Lance had heard him say this before, but Damon took it one step further this time. "Your discomfort with conflict doesn't make this any easier."⁷

They both sat quietly for a minute. Lance knew that as part of this process he'd need to examine his own leadership. Indeed, his 360 had been eye-opening. His people had described him as a passionate entrepreneur and a visionary, but they'd also commented on his preference for managing one-on-one instead of shepherding the team and on his tendency to favor big-picture thinking over a focus on details.

"OK. I hear you on that," Lance finally said. "That's on me. But you also need to think about what you can do to improve this situation. There's a difference between productive and unhealthy conflict, and right now it feels like we've got too much of the latter."⁸

OUR VISION MIGHT CRUMBLE

"Have you considered one of those team-building retreats?" Lance's father asked when they spoke that night. "I know you all never took me seriously—"

Lance chuckled. "Because you never booked it!"

"—but I still think it's a good idea," Eric continued. "No one really knows how to have a productive fight at work. It's not a skill you're born with. You have to learn it."

"I'm considering it, Dad. But I'm not sure it would be enough at this point."

"What about the comp?" This was another thing Eric had brought up routinely. During his tenure as CEO he'd realized that the C-suite compensation

wasn't structured to encourage collaboration. Bonuses were based on individual, functional-unit, and company performance at respective weightings of 25%, 70%, and 5%.

"Maybe it's time to bump up that 5% to at least 10% or even 20%," Eric said.

"I'd like to make those changes, but I need Damon's help to do it, and he's swamped," Lance said. "Besides, lots of experts say that too many people view comp as a hammer and every problem as a nail. CEOs expect comp to fix anything, but usually you need other tools. I may have to do something more drastic."

"You're not considering firing anyone, are you?" Eric had personally hired all the senior executives now on Lance's team and was almost as loyal to them as he was to his own family.

"To be honest, it's been on my mind. I'm not sure what I would do without Ahmed or Damon. They're an important part of why we make our numbers each year. They help us win. But I look back and wonder how we did it playing the game this way. I need a team that's going to work together to reach our longer-term goals."⁹ When Eric had retired, he and Lance had set a target of reaching revenues of £500 million by 2022. "This group feels as if it could disintegrate at any moment. And our vision might crumble along with it."¹⁰

"I'm sorry," Eric said. "Do you feel like you inherited a pile of problems from your old dad?"

"No, I feel like I've somehow created this one—or at least made it worse."

"Well, one thing is certain: You're the boss now. So you'll have to decide what to do."

6. Should sales and finance departments be at odds? Can the resulting tension be productive for an organization?

7. Can you be an effective CEO if you're uncomfortable dealing with conflict?

8. Conflict over how to perform a task can produce constructive debate and improve decisions. But conflict over personal issues can erode trust on a team.

9. A study at Google found five keys to team effectiveness: psychological safety, dependability, structure and clarity, meaning, and impact.

10. Would this conflict have played out differently if Barker weren't a family business?

HOW SHOULD LANCE HANDLE THE CONFLICT BETWEEN DAMON AND AHMED? THE EXPERTS RESPOND

LANCE'S PROBLEM ISN'T personnel; it's culture. He should focus less on the specific conflict between Ahmed and Damon and more on the silos that his executives are operating in—silos that he has enabled and perhaps even encouraged. Aligned incentives, outside coaching, and team-building exercises are all helpful, but they won't work unless Lance is clear about the kind of collaboration he wants to see.

Teamwork happens when people understand that their goals are intricately linked with their colleagues'. The CFO alone can't ensure an organization's success; he or she needs to agree with the sales chief about the best type of growth, with the head of

LANCE NEEDS TO FOCUS ON THE SILOS HIS EXECUTIVES ARE OPERATING IN.

HR about talent needs, and with the general counsel about contract terms. It may sound clichéd, but the C-suite is an ecosystem, not a fiefdom.

Four years ago, when I took over as CEO of ABM, one of the largest facility-services providers in the United States, the company was pretty siloed. So I created a rule that no decision could be made without at least three people in the room. When the CFO came to me with a recommendation, I'd say, "Let's bring in the CHRO and see what he thinks." My belief was—and still is—that greater input from more people yields better decisions. I'll admit that it was awkward at the start; people thought I didn't trust them to do their jobs. But within six months they had embraced the change. The CFO would show

up at my office with the CHRO and the general counsel. Now it's very rare for someone to come to me without having first bounced things off at least a few colleagues.

The idea isn't to create extra work. By all means Lance should be careful with his team's time. But I'm not advocating for extensive consultations or long meetings to hash out every detail. I'm just arguing for more open conversation—between Ahmed and Damon and everyone else—so that the group can avoid conflict and make higher-quality decisions together.

Lance can start by holding biweekly staff meetings where the group members talk candidly about organizational goals and how to collectively accomplish them. He might even ask them all to work on a project—perhaps revamping the compensation system—so that they have a concrete business reason to collaborate.

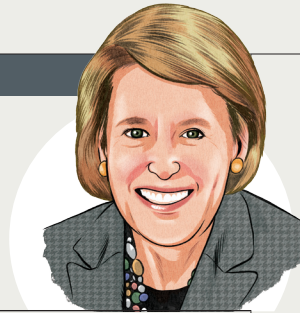
Soon after I took over ABM, we reorganized the business from service lines to customer verticals and moved to a shared-service-center model. To help us through the process, I formed a steering committee of the firm's senior leaders. I told them I expected them to debate and argue, but that when we made a decision, there would be no eye rolling or second-guessing. Most were able to abide by that. A few who continued to stir up conflict and undermine our efforts were eventually let go.

Lance may need to do the same with Ahmed and Damon if they can't work through their tensions. But first he must explicitly encourage more C-suite teamwork. "Fresh blood" won't solve the problem if the culture is still dysfunctional.

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president and CEO
of ABM Industries.



Dale Winston is the chairwoman and CEO of Battalia Winston, an executive search firm.



I AGREE WITH Jhumpa: What a mess! Has Lance really turned a blind eye to this problem since he took over as chief executive, five years ago? He's lucky that Barker has maintained its growth, because this kind of turf war can be crippling to an organization. And I suspect that if he doesn't address the tension between Ahmed and Damon soon, his luck will run out.

At this point, outside help seems warranted. Lance should hire an organizational consultant and coach to objectively analyze and diagnose the situation and make neutral recommendations on how to fix it.

It may be that Damon needs coaching on how he communicates or that he and Ahmed need to talk through their conflicting approaches. In the 27 years that I've run Battalia Winston, one of the largest woman-owned executive search firms in the United States, I've hired many coaches to help executives understand how their work styles may be affecting those around them.

I've also had success with the team-building exercises that Eric suggests. Retreats are a great opportunity to step away from day-to-day issues and gripes and discuss work styles and how people want to collaborate and generally put everyone on the same page. With the right facilitator, which is always critical, Lance can get his team rowing in the right direction, and the exercise will benefit all members even if some people need it more than others do.

I certainly would not recommend that Lance fire either Ahmed

or Damon now. When two senior managers don't play well together in the sandbox, employees inevitably start to take sides. If Lance sacks one or both of them simply because they bicker with each other, he looks weak and incapable of managing healthy debate on his team.

There are conflicts in every organization. Damon is right that sales departments often prioritize revenues over profitability and that it's the job of a CFO to push back. Most of the conflicts I've seen among our senior staff throughout the years have been over territory, clients, and claiming credit for other people's

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work. But we've always been able to address those issues—and ensure that they don't devolve into destructive personal battles—by emphasizing our team ethos and showing our consultants how everyone's work contributes to our collective success.

Lance has made the mistake of letting this fester. As a newly minted CEO, he should have headed this problem off at the pass. But it's not too late. With a renewed commitment to top-level collaboration and help from an expert, I believe, he can ease the tensions between Damon and Ahmed and, I hope as a result, meet Barker's revenue goal. ☺

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COMMENTS FROM THE HBR.ORG COMMUNITY

Play Mediator

Lance needs to bring Ahmed and Damon together to talk about mutual respect and get them to open up about the frustrations they each have and why. With that information, they should be able to come up with a new way to communicate.

Sara Koenig, vice president, Advantage Home Health Services

Make It About Customers

I'd bring in some customers affected by the inefficiencies this rivalry has created and, in a focus group, have them relay their concerns. The hope is that Damon and Ahmed will understand the threats to the business as a whole and assess how their actions could erode customer confidence.

Lanre Adigun, senior management consultant, Verizon

Focus Them on the Big Picture

Lance should meet with both men face-to-face and ask them if there's a higher goal they can both get behind. If either one refuses to get on board, Lance should fire him.

Jessica Liu, technical project manager, IGT

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