

Creating Better Teams

Five Dimensions of Designing,
Implementing and Sustaining Effective Teams

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Price Waterhouse



Teams, Teams and More Teams!

We are nearly inundated with stories of teams being identified as the solution to corporate problems. Sometimes we hear of the remarkable accomplishments of teams — improving corporate performance and lifting the human spirit. Rarely do we hear of team failures — falling short of lofty expectations and crushing the morale and confidence of individual team members. While we don't hear about them, team failures are common.

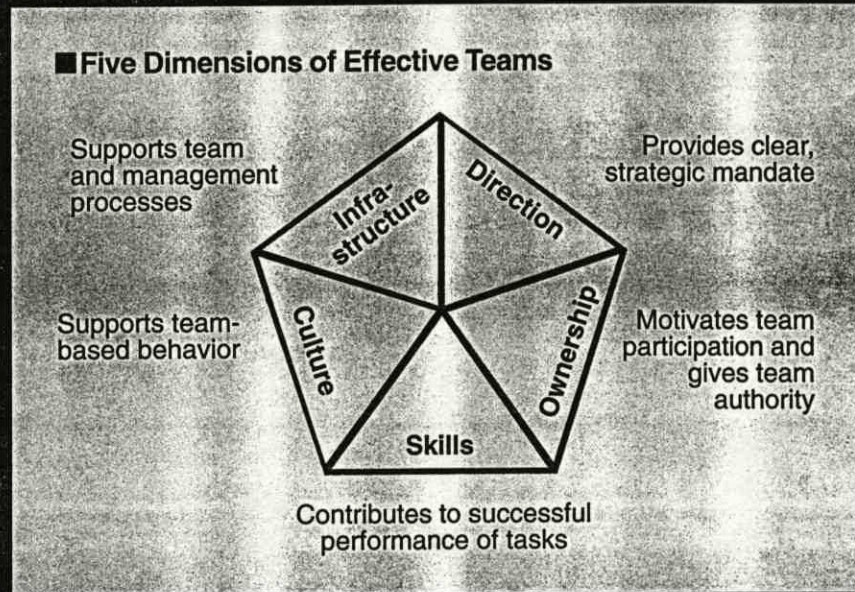
How can you ensure that your company's teams are among the well-publicized successes? Follow the Price Waterhouse approach to creating better teams.

Although teams are not the answer to every problem, there is considerable evidence that when the situation calls for them, appropriately

designed teams can solve complex, multifunctional business problems in ways that committees, individuals and task forces cannot. But beware — teams do not succeed in a vacuum. Creating a supportive team environment requires much more than mere training in team communication and conflict resolution.

☒ Appropriately designed teams can solve complex, multifunctional business problems in ways that committees, individuals and task forces cannot.

In fact, to provide an environment that will support, and even encourage, team success, there are five dimensions that an organization and its teams must address.



An explanation of the five dimensions for designing, implementing and sustaining effective teams is discussed in detail. Case examples and illustrations of the application of the Price Waterhouse model provide insights into achieving successful teams within your company — teams that will contribute to business solutions and the realization of corporate goals and strategies.

Introduction

Creating successful teams is a significant undertaking that requires long-term commitment and often structural change within a company. Nevertheless, an increasing number of companies around the world are using teams as a primary organizational feature of company operations. Indeed, so much has been written about the remarkable team successes in turning around failing company performance or contributing to business objectives, that one might conclude teams are the answer to every situation. This is not the case.

Teams are, however, much more than the latest fad to hit corporations. Teams were frequently seen in Britain and Sweden in the 1950s and in the U.S. in the 1960s. Japan adapted the concept and introduced its own highly successful version. By the 1980s, such mainstream companies as Boeing, C & J Clark in Britain, Caterpillar, Digital Equipment, General Electric, Proctor & Gamble, Sterling Winthrop in Australia, and others were all using teams. The list of large and small companies employing teams, in both manufacturing and service sectors, has continued to grow ever since.

Today, about two-thirds of FORTUNE 1000 companies use some variety of formal teams. Global cross-cultural, cross-functional teams in companies such as Intel, Maxus Energy, Texas Instruments, and others are addressing the needs of international customers and increasingly proving their worth, overcoming the challenges of disparate cultures and difficult meeting and communication logistics.

Teams are much more than the latest fad to hit corporations.

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Though the number of employees involved in teams remains relatively small, teams have already had a lasting impact on corporate cultures, structures, and performance. In fact, designing, implementing and sustaining teams has become fundamental to managing change.

In this paper, we define teams in the broadest sense as a small group of people, usually 7 to 9, who are committed to a common goal and who hold themselves mutually accountable for achieving this goal. True teams — successful and effective teams — achieve results beyond

the sum of individual team member contributions. Multi-dimensional synergy and cross-functional cooperation become the reality.

The Price Waterhouse Approach

Over the past decade, Price Waterhouse has had considerable experience advising companies in the delicate task of creating, implementing and sustaining successful teams. What have we learned? Implementing teams with the simple objective of incremental employee productivity and morale improvement is a sure path to disappointment and failure. However, when driven to teams by their customers, competition and the market as a means of capitalizing on business opportunities or solving difficult business problems, our clients have found teams well worth the investment.

What's the difference? Effective, productive teams are established as an integral part of a comprehensive organizational, business process and technology change effort to address a complex, multidimensional business problem.

Our fundamental premise is that teams are not always the answer. When they are, it is absolutely essential that the team-based environment be designed, implemented and sustained in a comprehensive manner. This means defining team types appropriate for the task at hand and addressing each of the five dimensions for building effective teams — direction, ownership, skills, culture and infrastructure.

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⊗ When to Use Teams

Teams are typically implemented because of their promise for improving performance — increasing productivity, reducing cost, expediting cycle times, improving quality, enhancing customer service. However, teams are not without risk. They are expensive to implement and maintain, both in terms of direct out-of-pocket costs and the opportunity cost associated with training, team meetings and a generally increased level of involvement by employees in issues and business problems. Obviously, when the business problem calls for teams and the team-based environment is appropriately designed, implemented and sustained, the business performance improvements that teams can deliver exceed this investment.

When are teams an appropriate way to organize?

- When the work required is **complex**
- When solving the problem requires **creativity and innovation**
- When the best solution will come with high levels of **uncertainty**, and may create uneasiness among customers, employees, stakeholders and shareholders
- When real **commitment** is needed
- When the work depends on a set of **interdependent tasks** to be performed in concert, rather than as sequential hand-offs, or would benefit from **multiple, complementary skills** and diversity of opinion
- When the performance improvements can be used to **benefit customers, shareholders and employees**
- When **time and resources** are available for an appropriate team start-up and sustained team development
- When team achievements can serve as a **unifying force** to sustain meaningful change over the long term.

⊗ What Kind of Teams?

Nearly every organization has a unique name for teams or a variation on the more common corporate team types. No doubt, you have heard of all of them — cross functional teams, high performance teams, continuous improvement teams, leadership teams, autonomous work groups, natural work teams, virtual teams, quality circles, self-managed teams, executive teams. Some of these teams are exactly what you would expect based on their names. Others are not teams at all or are completely unrecognizable in practice.

We have found that many team names unintentionally convey misconceptions from the start. It is better to begin discussions about teams based on team

■ Primary Purposes for Teams

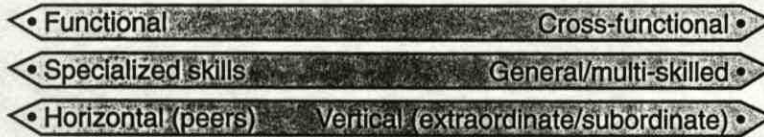
<i>Team Purpose/Type</i>	<i>Examples</i>
Direction/Steering	Executive leadership team Product selection team Steering committee
Production/Service	Cellular production team Customer service team Loan or claims processing team
Project/Development	Product development team Service design team New facility team System implementation team
Problem Solving/ Continuous Improvement	TQM team Quality circles New ideas team

purpose. Once people have developed a common understanding of what teams will achieve and how teams will work in *their* organization, then giving the teams a name can have particular meaning for the organization.

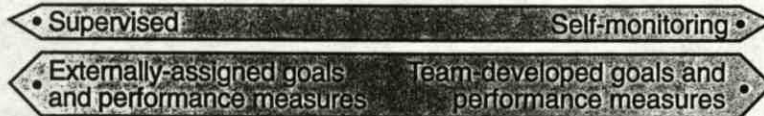
From our perspective, there are four primary purposes for teams and therefore four team types. Within team purpose, team types can be refined based on variations in team membership, degree of empowerment, and type of leadership.

■ Variations Within Team Types

Team Membership



Degree of Empowerment



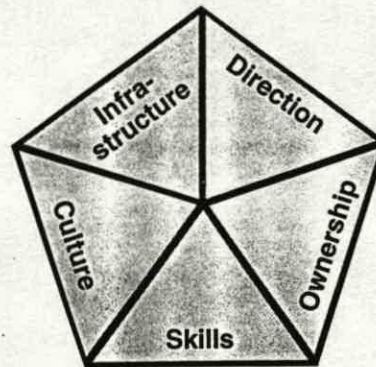
Type of Leadership



Creating Better Teams: The Five Dimensions of Effective Teams

Once the decision has been made that teams are an appropriate component of a comprehensive organizational, business process and technology change solution to a difficult business problem, there are five critical dimensions to consider in designing, implementing and sustaining the team-based work environment. Each of these dimensions, and their corresponding design components, are essential elements in a comprehensive and supportive environment for successful and effective teams. Some may seem simple; individually, they are. But building and sustaining effective teams requires alignment among all five dimensions, as well as between the teams themselves and the overall organization.

■ Five Dimensions of Effective Teams





Direction

In the short term, it is often easy for a team to see the problem, define goals and pursue an appropriate course of action. However in the long-run, it is essential for teams to have a clear sense of direction or purpose. Developing direction and purpose for the team requires three things — a mission, goals and performance measures.

- **Mission.** Teams need to know why they exist, and they need to plainly see that their performance has a direct impact on the overall performance of their function, division, business unit, company and customers. A mission is the best vehicle for answering the question “why do we exist?” and communicating to team members and others the reason the team was established.

A team’s mission should be clear. Written or unwritten, it should be directly linked to and supportive of the organization’s mission. Having a mission is good, but it is not enough. For the mission to be effective, there must be consensus among team members and stakeholders about the mission itself and how it relates to the organization’s mission and strategic direction. This is key to creating effective teams.

- **Goals.** Very simply, teams must understand what they are expected to achieve. Specific short-term and long-term goals establish an understanding of the resources, skills, time and support that the team will need to succeed. Although most teams will confirm that they understand their goals, they hesitate when asked to confirm that their goals are consistent with their skills, membership, authority and resources.

Goals may evolve or change periodically, and teams should be prepared to modify their objectives to meet the needs of the organization, its customers and shareholders. Like the mission, team members must understand and agree on their mutual goals. They should be able to articulate “what’s in it for them,” and most importantly, success for the team must translate into success for the individual.

- **Performance Measurement.** Individuals are frequently able to self-assess their progress toward achieving personal goals. However, teams will rarely agree on their collective performance without hard, fast facts. Teams may be assigned performance measures and targets or they may develop the measures and set targets themselves. But like any effective measurement system, the defined performance measures must accurately reflect team progress toward goal achievement. Most teams will have measures that address outcomes like completion of deliverables,

In the long-run, it is essential for teams to have a clear sense of direction or purpose.

■ The Five Dimension that Make Teams Work!

A major international airline was moving to self-directed work teams (SDTs) as part of a financial restructuring and turnaround situation. To improve accountability and quality, a team of 24 mechanics, inspectors and cleaning crew was created to be responsible for one aspect of the engine maintenance and repair process. Upon reassigning functional employees to work together full-time across three shifts, the team began by establishing direction — a mission, goals, and performance measures aligned with corporate objectives. Based on their team mission...*To maintain aircraft and support equipment to ensure safety, airworthiness and customer satisfaction in a cost-effective manner while valuing employee contribution and development...*they established certain goals:

- Increase maintenance productivity (engine blades per day)
- Reduce waste and rework
- Reduce inventory by reducing repair cycle time
- Reduce purchase of new engine parts
- Increase productivity by allowing employees to perform more than one operation
- Improve morale.

After receiving basic training in team and communication skills, the team used their combined resources to identify opportunities to improve the operation according to the five dimensions of teams — sharing knowledge and skills, agreeing on decision-making processes and establishing daily production priorities, and improving trust with other groups. The creation of this team within the maintenance area was consistent with an infrastructure of SDTs throughout the broader organization.

Within six months, the maintenance team achieved significant results, committing this airline to ongoing investment in team development and effectiveness:

- 65% reduction in distance parts must travel across the repair facility; production path went from 2,380 to 820 feet
- 45% reduction in inventory queues at work stations
- 95% reduction in work-in-process inventory; from 40,000 to 2,250 engine blades
- 200+% increase in daily production; from 90 to 300 engine blades
- 70% increase in employee cross-utilization
- 35% reduction in machine downtime.

production quantity, cost, profit, speed (cycle time), quality and service. Others will find it beneficial to include measures around their work processes, team members and systems.

Like most effective measurement systems, team performance measures should be specific, quantifiable, realistic, challenging, and time-related. Visual control mechanisms for key performance measures will also reinforce team focus on achieving results and understanding progress.

For example, one manufacturing operation center had been given production quality and quantity measurements by management, but no specific performance target levels. The group received weekly reports on production quantity and quality status, but there was no sense of achievement in terms of progress towards target levels. However, once this operation center team set some specific goals toward increasing production and decreasing defects, and once they took responsibility for "guaranteed quality" — even to the extent of stopping the line if a quality problem was noticed — the team reduced packaged goods rejects to zero and increased productivity by 40%.

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Ownership

A second dimension of effective teams is ownership. Why? When was the last time you washed a rented car? Ownership can be expressed in a number of different areas: the ownership of certain decisions, work processes, resources to get the task accomplished, human resource processes and budget. The more the team owns the outcome, the greater the sustained individual and team responsibility and accountability.

- **Ownership of Decision-Making and Rights.** Teams need to know which decisions they are responsible for and which they are not. The more teams have ownership over the day-to-day decisions affecting the task at hand, the more they can produce the expected business results. Additionally, if management tells teams they are responsible for certain decisions and repeatedly reverses teams' decisions, they run the risk of destroying motivation and undermining improvement efforts.

At one pharmaceutical company, product development teams consisted of highly-skilled and educated medical doctors, statisticians, pharmacologists, marketing and manufacturing representatives, and regulatory specialists. At first, the teams spent considerable time trying to devise methods to speed up drug development, only to have their decisions reversed by management. The result: apathy and skepticism. Over time,

After determining that lack of individual and team accountability was undermining client service, a global financial services company set out to build its so-called "client service teams" into truly empowered teams. To create a sense of ownership at all levels of the team, the most junior members were asked to forcefully present their concerns and ideas to management. Managers conceded that these staff had the best perspective because they hadn't yet been "molded" by the existing system...costs have decreased 20%, with 50% projected over three years. Although impressive, the real win was the response from clients who said that the reconfigured teams "were really going the extra step."

the teams became less committed and were unable to act effectively. Teams members doubted management's commitment to reducing the drug development cycle time, resulting in nominal improvement.

- **Process Ownership.** In today's large, complex organizations, frustration over cumbersome procedures and processes that obstruct the accomplishment of real work is commonplace — in fact, some people report spending 50% of their time circumventing procedures. Teams that own the ability to modify or design the tasks needed to produce the product or service, as well as have the authority to decide the roles of individual team members, can contribute significantly to achievement of production goals and quality standards. Where possible, notwithstanding technical or regulatory constraints, teams with ownership of the product or service production process can make a real performance difference.
- **Resources Ownership.** Resource ownership means having the necessary authority and power to obtain the resources to get the job done. This includes company and industry information, operations support, facilities, hardware and software, and support staff. Teams able to secure resources to meet team goals without wasting time obtaining approvals show better results.

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The inability to secure necessary resources was witnessed in a manufacturing plant that was attempting a team-based environment. A lot of individual labor was needed, but the team was still dependent on a number of machines to complete the work. Unfortunately, replacement parts had to be ordered by the shop foreman, who was not a permanent team member. He had many other duties and did not always order replacements immediately, sometimes causing as much as a two-day production delay. The team's lack of authority to order parts hindered its ability to improve performance.

- **Human Resources Ownership.** Human resources ownership includes authority to select members, determine team size, design jobs, schedule work, determine performance evaluation criteria and complete ratings, set compensation, other rewards and incentives, and administer discipline.

When team members set selection criteria and actually choose new members, they have more vested in the success of new members, promoting more commitment to team success. Determining how selection will take place should be guided by the purpose of the team and the nature of the work. Members of a direction-setting team might be drawn from management positions. Membership on a problem-solving team might be drawn from those with certain types of expertise, or those who bring new perspectives to the issues. In any case, selecting team members simply based on availability is a sure recipe for failure.

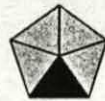
The voluntary nature of team membership is open to debate, in that there are times a specific person is needed on a team. However, once members are selected, assuring that they are not strongly opposed to being a team member is important. Too often team success has been jeopardized by uncommitted, hostile members. Obtaining members' agreement is fundamental to the motivation of the group.

Work scheduling and job design are logical next steps in building human resource ownership, followed by setting performance evaluation criteria and giving developmental feedback. After feedback, a team can move to completing performance ratings on team members and taking the next steps on compensation, other rewards, and discipline. Not all teams will take over all of these responsibilities, but they offer additional avenues for enhanced team performance.

- **Budget Ownership.** With individuals, when money is your own, you become more careful in how you spend it. Therefore, since teams are merely groups of individuals, teams should have as much responsibility, authority, and ownership of the budget as possible.

One product development team that had no knowledge of its budget parameters inevitably overran the budget. Under the circumstances, it was difficult for management to hold the team accountable for the cost overruns. To the team, the expenditures were someone else's worry, not theirs. Had the team owned the budget, the end result may have been different.

When team members set selection criteria and actually choose new members, team members have more invested in the success of new members — this promotes more commitment to team success.



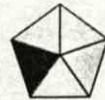
Skills

A third dimension of teams, skills is one of the areas most frequently cited by senior management as problematic. Appropriate skills take a number of forms and apply to a number of different levels in an organization.

- **Team Skills.** In addition to technical and business skills that team members bring to the group, they must also know how to operate within a team. Frequently, training is required as teams become established. Basic team skills include: interpersonal skills, an understanding of how teams form, basic problem-solving and conflict resolution, managing diversity, and conducting effective meetings. Team success is particularly dependent upon the ability of the team to deal with conflict, since the inability to address differences can inhibit team progress.

Team members also need appropriate process skills such as: process mapping, data collection and display, customer requirements, planning and standardizing improvements, and statistical process control.

- **Management Skills.** Recent research by an international television broadcaster found that the distinguishing factor of high-performance in creative television programming teams was the effectiveness of team leadership. The team leader's ability to facilitate contributions, encourage openness, and engender commitment made the difference. These are not necessarily the skills for which managers have typically been rewarded — technical expertise, problem-solving, decision-making, management, a willingness to accept responsibility — but they are necessary for effective teams.



Culture

Building teams requires a deliberate shaping of an organization's culture, a fourth team dimension. A heavily competitive culture — where individuals are always competing for rewards and recognition, where openness and candor are not the norm, and where the focus is on position and politics instead of the customer — will require deliberate substantial work to support effective teams.

- **Customer and Supplier Orientation.** Team members' commitment to understanding and meeting or exceeding customer's needs and expectations sets a climate for continuous improvement and a focus on what's really important to the enterprise. Additionally, understanding the role of the supplier in providing quality goods and services are necessary for enhanced performance. The greater the orientation of the organization's culture towards its customers, the easier for teams to share a common focus as part of the culture.

■ Benefits and Complexities of Cross-Cultural Teams

Diversity is one of the great benefits of teams. When people with different backgrounds and experiences work together in a team, they can be more effective in solving problems. Why? In addition to diversity of education, job experience, organizational position, functional expertise, age, etc., diversity in culture creates an excellent opportunity to challenge basic assumptions for frame-breaking team solutions.

Recently, an international computer manufacturer designed and implemented a new global financial management process, including an enterprise-wide client server system. For global operations to be successful, alignment of fundamental business processes was essential. To determine how the features of the new system would serve financial processes throughout the world, the company formed a special project team with members from Europe, the U.S., Japan, and Latin America.

This cross-cultural context added further complexity to the task of designing, implementing and sustaining the team simply because individuals developed different assumptions about each team dimension. For example, based on their own unique cultural norms, team members made different assumptions about how the team would set **direction**. Some expected it to come from management and accepted it outright. Others charged forward, challenging it just because they were not accustomed to being directed from outside their business unit.

In the **ownership** area, to accommodate differences in culturally acceptable decision processes, the team agreed to specific stakeholder management processes for some team members, helping them build support for team decisions with the home office.

Team roles were assigned based on strengths that varied by culture and learning opportunities created for all team members. For example, a German member was **skilled** in developing business case logic, while a Latin American member had perfected facilitating the design workshops.

Some **cultural** issues were straightforward — How would conflict be resolved? How open and frank would team members be? What information would be shared outside the team? Other issues, like trust and individual commitment were more difficult. However, working through the process of airing the issues developed trust among team members.

Finally, the **infrastructure** to support the team's efforts gave confidence to the team members that this project was valued by local and home office management.

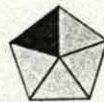
While rigorous team design is important in establishing any effective team-based environment, it is essential in harnessing the diversity of cross-cultural teams.

Management has the responsibility to articulate the vision and goals of the organization, to shape the infrastructure and culture that make it possible to achieve this vision, and to set aggressive goals and expect results.

■ **Team Climate and Organizational Norms.** Team climates range from those of little trust, where team members focus on personal agendas and express themselves guardedly, to those characterized by significant trust and openness. In the latter case, individuals respect each other and there is collaboration (although conflict exists) around a unified agenda. The degree of trust that exists among team members and within the organization will indicate how quickly effective teams can be built.

Management of conflict within teams is both inevitable and necessary for team development and creativity. However, it is how these conflicts are dealt with over time that make the difference in team performance. Understanding where and why conflicts arise, listening to the opinions of others and trying to understand other points of view are skills that can spell the difference between working through conflict or allowing

the conflict to derail team momentum. A team's ability to work through conflict promotes mutual trust.



Infrastructure

Lastly, teams need an underlying infrastructure to support them. This structure is determined by the size and composition of teams, as well as the management systems that identify supporting policies and procedures, and the alignment of personal performance measures, rewards and compensation.

■ **Team Size and Composition.** Teams typically work best when there are just enough members to get the job done, usually from seven to nine people. This size allows for diversity of thought without being so large that individual accountability and contribution is diluted. Teams also need a diversity of backgrounds and skills. As noted before, teams are formed for a number of different purposes, and each purpose may require a different type of diversity. For example, a team internal to a department (e.g., a purchasing department team), versus a cross-functional team (e.g., a product development team with members from marketing, manufacturing, and R & D) will need different levels and types of diversity. The mutual accountability of teams implicit in their very definition helps members learn to appreciate and use the diversity of the total membership to build better business results.

■ **Effective Management Systems.** To succeed, high-performance teams need a supportive organizational context and culture. Therein lies the role of management. Management has the responsibility to articulate the

vision and goals of the organization, to shape the infrastructure and culture that make it possible to achieve this vision, and to set aggressive goals and expect results.

Leading a transformation to a 'team-based' organization requires perseverance and patience, often requiring three to five years or more. Executives should be prepared to act differently as the new team environment develops, for example, holding the team instead of one person accountable for results, and trusting and accepting team recommendations as long as they are focused on articulated goals. Management may also need to communicate more openly and to actively encourage innovation by tolerating well-founded mistakes, setting an example of learning from mistakes and moving on.

And finally, the unfortunate fact is that, in the end, everyone on a team does not contribute equally in terms of time, experience, skills and effort. Consequently, best practice should consider a blend of individual and team performance in assessing individual performance, rewards and ultimately, compensation.

■ Using Teams to Create Teams

A US consumer products company spun off non-core businesses in a refocusing of its strategy. Among the newly created entities was a former baking products subsidiary whose customer service and finance departments were accustomed to operating in large functional silos. Now on their own, these interdependent customer service, transportation and accounting clerks had great difficulty communicating. Customers — both external and internal — found there was no single place to go for answers, and frustration ran high.

Teams were the solution. Integrated customer service teams brought members of several departments together to provide the customer a single point of contact. To create buy-in and ensure success, *teams* were used to create *teams* — assigning all those involved to temporary development teams tasked with designing, implementing and sustaining this new model of customer service. The collective accountability of the members generated significant commitment and enthusiasm, and this energy was clearly channeled around the five team dimensions:

- **Direction:** Input from each development team was used to establish vision and goals for the customer service teams that were tied directly to those already defined for the organization. Performance measures were then created to translate the vision and goals into measurable outcomes.
- **Infrastructure:** The customer service teams were organized around the geographical location of their customers, team communication mediums were established, and management systems that included a peer performance appraisal system were designed to support the team environment.
- **Ownership** and accountability were established at the outset by tasking teams with redesigning work processes, facilities and resource systems.
- **Skills** and knowledge gaps were established, and training vehicles were identified to bridge gaps and sustain the capabilities over time.
- Attention to **Culture** was required to create an environment that would support and nurture this new way of working. Partnering and communication initiatives were undertaken to transfer the new value of customer-focused teamwork from the customer service function to the entire organization.

Self-directed teams resulted in a single, seamless customer. Now customers are able to get what they want, when they want it.

Conclusion

Creating an environment that sustains high performing teams is not a simple operation. For teams to work effectively, management must take an active role in shaping the environment and culture.

The effort should begin with establishment by the organization itself of a clear and formal mission and goals. Then, the team needs to establish its own mission and goals in alignment with those of the organization. There must be a system for measuring and monitoring performance and providing feedback. Not all teams succeed, and an aligned set of goals is a strong indicator of ultimate success.

In every way possible, organizations should promote ownership and accountability by team members — for budgets, human resources processes, and decision-making authority, among other issues. Management should also ensure the organization's infrastructure and culture support the team. Establish mechanisms to handle the natural conflicts that do and should occur within the team. Align performance management process to recognize both individual and team contributions and reward employees accordingly. Be sure the size and structure of the team is suited to the task. Communicate openly and honestly and from the top. Build the skills necessary for teams and individuals to grow personally and professionally and to contribute to team success.

Above all, approach the use of teams as a powerful technique that can be used in the context of building an effective organization to achieve strategic and operating goals in today's complex, global business environment.