

How to Design Your Organization to Improve Team Performance

by Tracy C. Gibbons

TEAMS ARE A NO-BRAINER, RIGHT?

We've all figured out that given the complexities and interdependencies of solutions and processes, ever-shorter time-to-market requirements and product lifecycles, and continuous pressure to reduce costs, no one person can solve tough problems or develop complicated products alone.

Discrete pieces of a solution can't be created separately by individuals and then successfully integrated later: by the time a problem is discovered, it's embedded, so integration must occur step by step.

When your teams are diverse, energized, and well functioning, they are a major source of innovation. Teams can dramatically improve results in new product development, process improvement, service delivery, and enhancements to existing products. All the research supports this conclusion, and there's a wealth of literature that provides highly consistent definitions, attributes, and requirements of successful teams [1, 3-5, 8-10].

When teams work well, there's no better way. And when they don't, there's still no better way, because there is no other methodology for bringing the talents and experience of many to bear on complex problems or opportunities. If the

evidence is so compelling, though, why is it that teams frequently don't work — or produce — as advertised?

WHY TEAMS HAVE PROBLEMS

Your organization could be experiencing team problems at four different levels. *Individual* problems include insufficient task skills and the inability to work well with others. *Group* problems include the lack of a clear project definition and goals, not having the right mix of people on the team, inadequate team skills, and a lack of trust. *Organization* problems could include inadequate sponsorship and direction, insufficient resources, failure to provide the support required to resolve teams' performance and process problems, and lack of leadership. Finally, potential *systemic* problems include a culture and/or a larger organizational design that is at odds with what is required to support teams. If this is true, you'll see signs that teams can't function without constantly abusing the prevailing norms and expectations of the company. Under these conditions, your teams will find it nearly impossible to function effectively or consistently.

Once you have accurately assessed the nature, impact, and level of

your team's problem, it will be quite easy for you to find information about how to resolve those that are at the individual, group, and organization level (for sources, see the References section). Fewer resources exist to identify and alleviate team problems at the systemic level. This article examines organization design and discusses how it impacts the processes, work, and productivity of teams and how it can be leveraged to improve teamwork in your organization.

WHAT IS ORGANIZATION DESIGN?

Organization design comprises the planning, development, and implementation of a human and organization infrastructure that will contribute to your organization's effectiveness. Infrastructure is that combination of resources, processes, policies, structure, values, and culture that is the underlying foundation of your organization. But organization design goes beyond the structure of the organization — the lines and boxes and arrangement of people and functions. It includes such factors as information and reward systems; processes of all types, including how work is done and integrated, management, and decision making; mission, vision, and

values; business strategy; and people. When these elements are considered separately and then weighed in relationship to each other, when the necessary trade-offs are made, and when the best fit of all the elements has been determined, your organization's infrastructure will be a source of competitive advantage. If your organization's design is integrated and well matched to the business strategy, it enables the strategy. If your design is disconnected from or at odds with the strategy, then it can cause obstacles — often unnoticed or misunderstood — to the flow and productivity of the organization, including its teams.

The well-known Star Model (see Figure 1) [2, 7, 8] depicts the five major categories of design that you must consider both separately and in relationship to each other in order to create a final design that best supports and enables the strategy and business plans of your enterprise.

The Top Point on the Star Is Strategy

This is the element from which all other aspects of the organization design flow. Strategy includes the mission (why the organization exists and what its overarching objective is), vision (the desired future state and what will be different as a result of the organization's contribution), goals and objectives, tasks, and values. It defines where "there" is for your organization and also provides the map to the destination, including the possible and preferred routes and the various stopping-off points along the way.

Strategy describes the relationship among the four important variables that contribute to your organization's effectiveness and success: the mission, core competencies, organization capabilities, and the external environment.

Structure Defines How the Organization's Resources Are Grouped and Held

Structure determines what the basic units of the organization will be, based on the required functions or focuses of the organization. It also specifies reporting relationships, levels of management, the placement of power and authority, work design, and the relationship of functions, groups, operations, and tasks to each other and to various stakeholders. Organizations are most typically structured around products, markets and/or customers, functions, or geography.

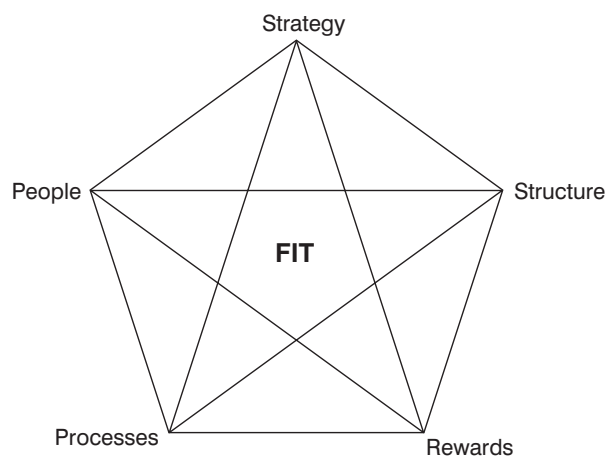
Processes Are How the Work Gets Done

Processes provide the means by which integration occurs. They

specify how the differentiated parts of your organization will interact to provide the necessary, coordinated outputs. Processes that are intentionally designed will increase your organization's ability to perform well on the dimensions of speed, cost, quality, and innovation. They include both business processes (e.g., order fulfillment, financial reporting) and processes that enable human interaction or manage the interface between employees and the business (e.g., decision making, communication). These processes enable the knowledge and abilities of many to be applied to complex challenges that require the expertise of multiple specialties for resolution.

People Are About All the Things You Need to Have the Best Workforce

This element ensures that your organization's culture and the contract between workers and the company are mutually beneficial. It includes how and by what criteria people are recruited and hired, how they develop and maintain the



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Figure 1—The Star Model.

necessary skills and competencies, and how they are valued and managed. When the people aspect has been well designed, you'll have the right people, at the right place, at the right time. Employees will be encouraged and enabled to make significant contributions that add value, and they will be highly engaged, take initiative, and be involved in meaningful and motivating ways.

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Rewards Are the Complex Set of Formal and Informal Incentives

Incentives of all kinds connect individual motivation, behavior, performance, and ultimately results to the various forms of compensation and recognition that are received in exchange. Rewards systems also convey very powerfully the underlying principles about how people, their contributions, and the goals of your organization are created, linked, and communicated; how each employee's contribution is tied to organization results; and how performance is managed and appraised. Rewards do influence motivation and behavior, so reward systems must illuminate what is valued in the organization, and you must make a clear connection between the valued behavior/result and the reward. When employees perceive a discrepancy between

what behaviors and outcomes are supposedly valued and what is actually rewarded, they will make both group and individual behavioral choices based on what is rewarded.

DESIGN PROBLEMS THAT TURN INTO TEAM PROBLEMS

Because teams are everywhere, it's easy to underestimate the systemic requirements and "heavy lifting" that is necessary to yield the skills, behaviors, and results of teams "as advertised." And then you're disappointed that the team slipped the schedule and missed its goals, or that the product didn't work right the first time, or that your customer was dissatisfied. It's tempting to blame team members, but the real problem is often far removed from the team. Below I discuss several of the underlying systemic issues that contribute to team problems.

The Challenge of the Team-Based Organization

If you have experienced the benefits of successful teams or recognize that complexity demands interdependence and collaboration, you may have decided that a team-based organization (TBO) is a strategic necessity. Or perhaps your boss has made this determination and has written it into the strategy. Goals are set and projections are made about the results that will be forthcoming, based on the research and anecdotal evidence of what's possible with high-performing teams. Even if you have read about or directly experienced what's required at the individual, group,

and organizational levels to enable that kind of performance, it's important that you not miss the step of assessing the current organization design and practices against what is required for a true TBO. It is critical that you fully understand the complexity of this transformation.

To their cores, most organizations are command-and-control hierarchies, and all who work (fight, study, live, or worship) in them have been socialized from birth to operate in such an environment. In the past several years, as organizations everywhere have faced the effects of economic downturns, globalization, and downsizing, there has been a resurgence of high-control approaches, while the resources (as well as the desire) needed to change them have been reduced. A true TBO requires fundamental changes to all elements of an organization's philosophy, operating practices, culture, and design. If you want teams and collaborative behaviors to be the way of life in your organization, an environment must be created in which trust is pervasive; power, influence, and value based on organizational status is mitigated; internal competition is reduced; and fear-driven motivators are eliminated. Precisely because we are all hard-wired for hierarchies, it is a major undertaking to create and sustain what is, in fact, a new way of life, not just a change in strategy.

In order for a TBO to be successful, a comprehensive redesign of the organization followed by a sustained implementation process is

almost always necessary. If you fail to approach this change as all-encompassing, you'll risk an organization in which the existing infrastructure has been disassembled and not replaced with updated or integrated parts, processes, and ways of working — not unlike a contractor who walks away in the middle of a renovation, leaving you without a roof or plumbing.

Teams and Hierarchies Don't Mix: The Team Ghetto

Still, it may be possible to provide the basic environment required to enable successful teams without undertaking a total redesign. It is essential, however, that you have basic organization systems that enable teams to operate effectively and efficiently. If you want the benefits of teams but don't want to make the fundamental systemic changes necessary for a full-blown TBO, there are less comprehensive alternatives — but they should be approached with caution.

Sometimes executives decide that they will use teams to do specific types of work, such as product development, manufacturing, or customer relationship management (CRM). So they begin to “do” teams, assuming that those assigned to a project will already know how to perform like a team regardless of their training and experience, environmental conditions and support, prevailing norms and rewards, and other dynamics such as geographic dispersion. Furthermore, they don't pay enough attention to how well the existing infrastructure will match

and support the decision to use teams.

Teams — which are a fundamentally democratic, high-involvement approach to work and meant to take advantage of the complementary skills, knowledge, and experiences of an often diverse set of people — are then *overlaid on steep functional hierarchies*. Teams are supposed to bring together knowledgeable representatives of interdependent functions and give them access to the resources they need so they can resolve most problems *at the team level*. They can work with greater creativity and synergy to deliver the desired outcome — and deliver it more quickly — simply because they are a team and are “empowered.” But when empowerment collides with hierarchy, an entirely different and less productive set of dynamics occurs. Here is an all-too-familiar scenario.

In what is commonly known as a matrixed organization, the functional side has typically become much more powerful than the project or team side, because this is usually where responsibility for specific products, lines of business, customers, and ultimately profit and loss rests. Each of the project team members has a reporting relationship to a manager on the functional side. This is who ultimately decides who gets retained and who gets laid off; this is who controls the performance management and reward processes — with “input,” of course.

Functional managers in top-down hierarchies, especially middle

managers, often feel a strong need not only to know what is going on with each of their direct reports, but to influence and sometimes control them and their work. So before a team can make a decision or take action, the functional bosses require team members to consult them first. And then the proposal may also need to get run up the levels of hierarchy of every function in parallel until it (maybe) gets to the level of the functional heads. With incomplete and sometimes conflicting information, these executives attempt to debate a request (the product of a collaborative, interactive process by people far more knowledgeable about the specifics than they are) through the filters of each of their respective functions.

If the proposal actually makes the agenda and some resolution is reached, the process of passing along this information is repeated in reverse through the layers. At some point in the future, if all the members' bosses have closed the loop, the team revisits its request, which no longer bears much resemblance to the original. The anticipated benefits of cross-functional collaboration, synergy, and especially speed are diluted or lost, and what results is a condition known as the “Team Ghetto.” This is a group of systematically — and systemically — *disempowered* people who reside in a separate and unequal structure but who are nevertheless expected to work and act as if they can produce the magic and the results of the best teams.

Are you thinking this scenario sounds far-fetched or even comical? Then consider this real-life case of a cross-functional drug development team at a pharmaceutical company in California, USA, which vividly illustrates the phenomenon. The company had recently been acquired by another firm, but members of the team continued to believe that they would be allowed to operate in the same way as when they were independent. Their top levels of management had either been relocated or laid off, however, and most of the team members now reported to functional managers located in Boston, Massachusetts, USA. Little had been done to really integrate the two companies or to build new relationships, create agreements and processes for managing the work of the cross-functional teams, or find ways to resolve issues when there were functional conflicts. Indeed the remote managers expected that decisions, even small ones, would be made with their input and direction.

When the managers communicated separately to their respective functions about corporate status, or even about the strategy and direction for the specific project the team was working on, the information the team members received was frequently in conflict, leaving the team in a state of confusion. Team members were quick to see the problem, but they were unable to resolve the conflicts locally or by asking their managers to do so. Over the course of a year, they became increasingly frustrated, discouraged, and angry as

they realized that their previously successful ways of working no longer worked, there was nothing to replace them with, and their best efforts to fix the problems were unsuccessful. The entire organization became increasingly unable to function, and its ability to do the first-rate drug discovery for which it was known (and that had made it attractive as an acquisition) was increasingly at risk. Attempts by the site manager and management team to resolve these and other problems with their colleagues in Boston were confounded by senior executives' ongoing deliberations about changes in corporate strategy, which eventually resulted in a decision to exit the market that the California site specialized in. The site was shut down at a cost that was staggering in financial, organizational, and individual terms.

You can't expect teams to work effectively and to deliver the expected results unless the prevailing organizational system supports the basic operating principles and methods of teams. It's not a matter of getting teams to conform to the rules and processes of the hierarchical system, because this destroys the essence of what makes teams work. As with the aircraft carrier that's on a collision course with a lighthouse, it's the seemingly more powerful entity that needs to change its course by making, at a minimum, changes in structure and processes. This could include, for example, a sponsorship process that gives teams quick, one-stop access to strategic direction, resources, a forum in which executive consensus will

be reached, and other forms of conflict resolution. Or it might involve developing a strong project management organization that balances the power and influence of project team leaders with that of functional managers. If your teams lack the ability to make most project-related decisions quickly and locally, this defeats the point of teams. They will continue to struggle and fail to deliver to their true potential.

Built for Competition (Not for Collaboration)

Western cultures place great emphasis on individual behavior and accomplishments. Even when we find satisfaction in working with others, achieving outcomes that none could have produced alone, most of us still expect to be acknowledged for our individual contribution. This is how we differentiate ourselves from others, determine our worth, and know if we are talented or competent. At the same time, we have been socialized to believe that resources and rewards are scarce, and there's not enough to go around. Despite frequent admonitions to share, we learned that it's more powerful, and often more rewarding, to compete. Some even learned to cheat: more is better.

In most organizations, the variable rewards that can add significantly to base pay (e.g., stock options, bonuses) are reserved for higher-level employees. These are awarded when an individual achieves his or her personal goals or the organization's goals. Sometimes several individuals at

this level share the same goal, such as a high-level earnings target, and they are evaluated on their contribution to that goal, but it is unusual to require truly collaborative behavior as a condition for determining the pay-out. Since the behavior modeled by immediate managers and company executives is one of the most powerful influences on employee behavior, the full impact of rewards goes beyond the actual compensation or recognition received by individuals or teams.

It can be tricky to provide effective team-based compensation and rewards that are also perceived as fair. Many team members don't want to put even a portion of their individual raises, bonuses, or options (if these are available to them) at risk based on the team's achievement of its goals unless it is clear that such a process will be administered consistently and fairly. They worry that other team members may not do their share and thus cause the team to miss its deliverables when they themselves have done their part. They fear that these differences won't be noticed, or that they won't be reflected in how the nonperformers are evaluated and rewarded. Even when systems are devised that recognize both individual contributions and the overall achievements of the team, by the time the potential merit increases are divided among multiple members, teams, and goals, the portion applied to an individual's work on any particular project is quite small and possibly unrecognizable.

If you're seeing signs that your teams are competing internally rather than working interdependently, it's likely that your compensation systems reinforce individual behavior that will maximize individual returns and minimize risk-taking and collaboration. In such cases, it's not surprising that team members compete overtly and subtly for the relatively scarce rewards available to them. If your organization's compensation system is individually focused while your business strategies are dependent on the outputs of high-performance teams, you have a fundamental disconnect in your organization's design. Because of the powerful influence of rewards on behavior, it will be virtually impossible for you to make successful and lasting changes to any part of the organization. You'll need to align the reward system with the desired outcomes and results at all levels and leverage it creatively and effectively [6, 7, 11-13].

The solid foundation of your rewards system for teams is the performance appraisal and management process. Sometimes the problem is less the rewards themselves than the system that's used to determine how they will be distributed. Be sure to:

- Utilize rigorous processes that establish clear, interconnected team and individual goals and deliverables that in turn are well aligned with highly visible goals of the organization.
- Establish performance metrics and evaluate them rigorously and fairly.

- Above all, give specific feedback to teams and individuals.

Most organizations have rewards and reward distribution processes that are implemented organization-wide. This approach is less than optimal for an organization that utilizes teams to get its core work done. A system that allows reward allocation decisions to be made more locally, to best support the required results and behaviors of each part of the organization, will allow you to better leverage the available rewards and recognition.

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If collaboration, initiative, speed, and synergy are necessary for achieving business objectives and satisfying customers in your organization, then your reward system must include value and mirror these requirements. Specifically, you'll need to make sure that it comprehends team results as well as individuals' contributions to the team's results; shows a clear and meaningful connection both behaviorally and financially between collaborative behavior and the rewards received; and avoids creating dynamics whereby people who need to collaborate end up competing over scarce resources. Such a system must also reward change and speed, for without

these, product innovation and organizational evolution won't occur. If you're serious about the role and value of high-performing teams, you'll need to shift a greater share of the total available pool of rewards to those who are engaged in team-based core work.

SOME CLOSING THOUGHTS ON ORGANIZATION DESIGN

Using teams to innovate and solve complex problems has become a common strategy in organizations. Because teams are virtually the only option, we find ourselves increasingly reliant on them for dramatic results, yet we frequently take them and their performance for granted — often with disappointing results. Problems with teams are frequently diagnosed at the individual, group, and organization levels, while systemic problems are overlooked.

In order for your teams to deliver high performance as advertised, the premises, methodologies, and behaviors of effective teamwork must be an integral part of your organization's infrastructure. The inability to achieve this level of mutually reinforcing alignment and integration is at the root of many teams' problems and failures.

Organization design is a methodology for creating a human and organization infrastructure that is aligned with your company's mission, goals, operating principles, and strategy. By thoughtfully designing and implementing a well-aligned infrastructure, you will

remove obstacles to the success and growth of your organization and the productivity of your teams.

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Tracy C. Gibbons is President of CoastWise Consulting, Inc., an organization design and development consulting firm with offices in Silicon Valley and Boston. CoastWise creates competitive advantage for its clients by leveraging the power of organization design, strategic alignment, and collaboration. Dr. Gibbons has been an organization development consultant for more than 25 years. Her clients include AT&T Wireless, Millennium Pharmaceuticals, Applied Materials, Pitney Bowes, and NASA. She holds a Ph.D. in human and organization systems from Fielding Graduate University.

Dr. Gibbons can be reached at CoastWise Consulting, Inc., 650 Castro Street, Ste. 120-332, Mountain View, CA 94041, USA; Tel: +1 650 969 3535 or 405 Waltham St., PMB 119, Lexington, MA 02421, USA; Tel: +1 781 861 8200; E-mail: tracy@coastwiseconsulting.com; Web site: www.coastwiseconsulting.com.