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Innovative Work Teams in a Challenging Business Environment

- Over the past decade, organizations have responded to a more competitive business environment by using work teams to solve problems and generate innovation.
- As the range of business challenges has grown, new concepts around team-based working have also evolved.
- Though building strong teams in a difficult economic environment may be challenging, it may also lead to new opportunities for effective work teams.

Human resource professionals have always been central to the development of effective teams. In a way, most HR functions can be described as pulling different aspects of the organization together as a team. For example, recruiting is the process of selecting team members; benefits and compensation management involves rewarding and motivating the team; and succession and workforce planning efforts are a way of thinking about how to reconfigure a team so that it is ready for the future. In addition to the importance of HR in building the overall structure of the organization as a team, HR professionals are frequently members of key cross-functional teams. And, of course, when teams do not function the way they should, HR is often called upon to find solutions. As a result, HR professionals are very aware of the importance of work teams and of the many challenges related to building effective teams in the workplace.

Developments over the past decade have emphasized the importance of team-based work in organizations. For example, the globalization of operations and the need to respond quickly to customers around the world has encouraged the development of global virtual teams. At the same time, improvements in information and communications technology have made it easier for these global teams to communicate and collaborate with one another. The growing complexity of many work processes has also led many organizations to create cross-functional teams as a way to bring together different organizational experts to solve increasingly complex business problems. But teams are not only used to tackle existing challenges. Increasingly, teams are considered the engines of innovation and creativity that lead to future products and services.

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Changing Theories on Work Teams.....

Different types of teams are developed to face the varied demands of the world of business. As a result, there is a tremendous amount of diversity in the way teams function. This may be why more and more management experts and academics have begun to study how work teams can work more effectively from a range of perspectives.¹

Experts studying teams in the workplace list several factors that come together to create a broad definition of work teams. A work team can be defined as a group that is brought together to perform organizationally relevant tasks while sharing one or more common goals. Work teams work on tasks interdependently within an organizational context that influences their exchanges with other entities within the organization.² For managers and HR professionals, this emphasis on shared goals is the common thread that continues to direct their efforts to build teams even in the midst of continuous change. How teams are brought together and how they work together may be constantly evolving, but the importance of shared goals and objectives remains constant. And while managers may need to continuously experiment with the practice of building and developing teams to respond to new business challenges, they also need to maintain a certain level of consistency in the way they communicate goals.

The growing complexity of work teams

Among theories on team work that have undergone change in recent years are those that advance different kinds of frameworks for studying team effectiveness. Such models include the input-process-outcome (IPO) framework originally developed by Joseph McGrath, a social psychologist known for his work on small groups.³ This theory considered how different inputs at the organization, team and individual levels combined to drive the team processes that lead to different kinds of outcomes. Research into the impact of the context within which teams operate is one of the most important ways this model has evolved over the past decade. This approach emphasizes the *multi-layered* nature of modern work teams. Each individual on a team lives within his or her own unique surrounding and influences; teams also operate within a specific context; and the organization as a whole is part of a wider business, social and political environment.⁴

In addition, the context or environment of each of these three layers is growing more complex. At the individual level, demographics are creating a more diverse workforce. The spectrum of people within the average organization is broadening in terms of age, race and culture. Increasingly, this diversity of backgrounds can exist not only within teams but within individuals themselves. This is particularly true in younger generations, whose demographics are most likely to be multi-racial and multi-ethnic. But diversity of background and context at the individual and team levels is not limited to easily identifiable demographic characteristics. Individuals are now able to tap into new sources of information, news,

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entertainment and social networks that influence the relationships they form as well as how they think about their own personal identities and interests.

At the team level, diversity of expertise is needed to cover all angles of more complicated technical and business problems. And at the organizational level, the globalization of company operations is adding new layers of complexity. This is all laid on top of a world of continuous change, where a sense of urgency and the need to respond rapidly to new challenges—the rapid transformation of consumer markets, financial market volatility and even major issues such as climate change—create new demands of organizations, leaders and teams.

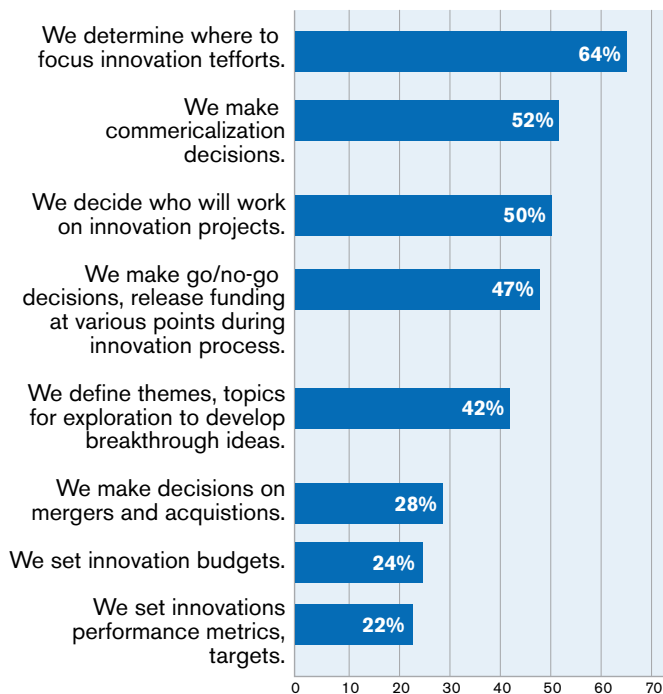
All of these issues can make it more difficult to isolate the factors that influence teams. Many business management researchers are therefore studying how individual activities within organizations are influenced by other activity choices. This study of activity chains links directly to how teams work together and is particularly relevant in studies on the innovation process because cross-functional collaboration—largely through teams—has been identified as one of the most crucial factors in improving product innovation performance.⁵

An emphasis on innovation

Though it may be getting harder to pinpoint all of the

inputs and processes within a team effectiveness framework, academics studying creativity and innovation believe that if properly managed and encouraged, the diversity of outlooks within today's work teams will make them more effective. Currently, most organizations still look to their leaders to generate innovation, as evidenced by findings from a 2007 McKinsey survey indicating that most organizations still use a top-to-bottom approach to innovation (see Figure 1).⁶ Yet, according to leading creativity researchers Teresa Amabile and Mukti Khairé in an October 2008 *Harvard Business Review* article on the role of leadership in promoting creativity and innovation, most innovation today tends to develop from the bottom up.⁷ They cite the example of an analysis of innovations at Google that tracked the progress of ideas backed by organizational leaders as opposed to those that developed from the bottom up. The surprising result was that the ideas that bubbled up without support from above were actually those with a higher success rate.

Figure 1 | Innovation From the Top Down: Types of Innovation Decisions Made by Leadership Team

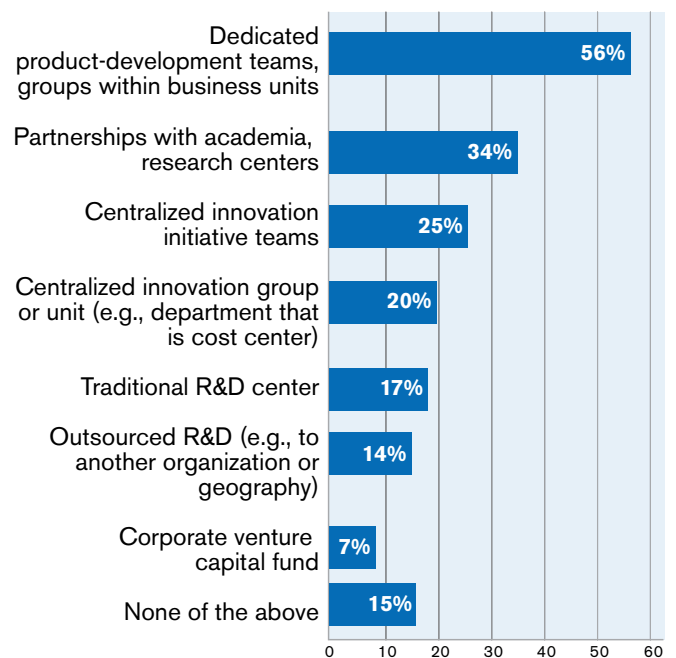


Respondents were top managers (n = 722)
 Executives are senior vice president level and above; respondents could select multiple answers; respondents who answered "other" or "don't know" are not shown.
 Source: McKinsey & Company. (2007). How companies approach innovation: A McKinsey global survey. *The McKinsey Quarterly*.

This example supports the argument that innovation is now being driven by informal teams at the organizational

periphery. Amabile and Khairé quote Intuit founder Scott Cook who said, "Traditional management prioritizes projects and assigns people to them. But increasingly, managers are not the source of the idea." The importance of teams is reflected in another finding from the McKinsey innovation survey that asked organizational leaders which sources they used to develop new ideas or commercialize new business. The overwhelming majority said that teams—either dedicated product development teams or centralized innovation initiative teams—were their top source for new ideas (see Figure 2).⁸

Figure 2 | Sources Used to Develop New Ideas



Respondents were top managers (n = 722)
 Source: McKinsey & Company. (2007). How companies approach innovation: A McKinsey global survey. *The McKinsey Quarterly*.

Though Amabile and Khairé believe that creativity cannot be managed in and of itself, they do argue that it is now not only possible to manage *for* creativity, it is imperative. What does this mean for how teams are managed? How can an organization shape its processes and culture to encourage creative and innovative teams? According to Amabile and Khairé, "the first priority of leadership is to engage the right people, at the right times, to the right degree in creative work." They suggest the following ways to encourage innovation through employee and team creativity:⁹

- Tap ideas from all ranks of employees by distributing creative responsibilities across the organization.
- Recognize that today most innovations draw on many

contributions and therefore encourage and enable collaboration.

- Encourage people of different disciplines, backgrounds and areas of expertise to share their perspectives and ideas.
- Recognize that different stages of the creative process may require different kinds of support; teams engaged at the front end of developing a new idea may be hampered by too much process management, while those working on the final stages of bringing a new product to market may benefit from process improvement standardization.
- Create a culture that recognizes the ebb and flow of innovative creative work, including the inevitability of failure and the need to learn from it.
- Motivate creative teams by providing the excitement of intellectual challenge and the opportunity to pursue interests and by demonstrating management engagement with creative innovation and a positive attitude toward it.

A focus on innovation may mean encouraging a creative team approach to solving problems that are not necessarily at the center of current organizational objectives. For example, an informal team may come up with an innovative product idea that is related to but not already part of a business's product offering or may discover a new market segment that was previously untapped. This quality of solving unrecognized problems points to another aspect of the study of teams that is undergoing change: how to measure team performance.

Measuring team performance

Over the years, researchers have identified a number of key questions when it comes to measuring team performance. These tend to involve the who, what, when and where of work teams. For example, who identifies themselves as part of a particular team and why? Management academics Jansen and Huang define team identification as “the process by which individual team members perceive themselves in terms of the values, goals, attitudes, and behaviors they share with other team members.”¹⁰ In recent years, studies of social identity indicate that team identification can occur even when there are strong individual differences among team members as long as the group operates within a culture that values individuality and diversity. This is a good example of HR practices at the organizational level that promote effective performance at the team level. An organization that encourages diversity and inclusion is laying the groundwork for strong teams that benefit creatively from diverse members with different perspectives and backgrounds, while at the

same time encouraging strong team identification. When diversity is embedded as an organizational value, a team can be united by the very things that make its members unique as individuals.

Another question relates to the amount of time that a team exists and when during a team's life cycle performance should be measured. When performance is measured at the wrong time, it could give the impression that a team has been unsuccessful in meeting its objectives. But sometimes a team can have a profoundly positive impact on an organization long after it has disbanded. Related to this is finding ways to accurately measure what a work team has achieved. In some cases, a work team may not necessarily meet its original objective, yet it has developed innovations that are much more valuable than what the team originally set out to do. Alternatively, teams that have seemingly fulfilled their objectives may be less successful than they appear if their tasks are of little strategic value to the organization.

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Researchers have developed a number of team-level measures, including those that take into account variables such as task conflict, processes, reward structures and team empowerment. A new focus of research is on how combinations of variables influence team performance. Given the intricacy of such studies, it may be some time before their results begin to have a major influence on actual practice. Fortunately, many practitioners have shown that building successful teams does not need to be complicated. Team effectiveness experts have narrowed the characteristics of high-performing teams down to a relatively workable number of factors: common purpose, clear roles, accepted leadership, effective processes, solid relationships and good communication.¹¹ Another approach is to look at the abilities and behaviors that are most important in selecting effective team members, such as experience, problem-solving ability, openness, supportiveness and action orientation.¹²

While academics studying work teams have recently focused a lot on *complexity* and teams' interactions with other

parts of their broader environment (the organization, the business and social landscape), practitioners and business consultants that specialize in teamwork currently appear to emphasize the impact of rapid and constant *change* on team performance. Of course, the two issues are closely related. One of the most significant factors behind the increasing use of teams

and collaboration is that the ability to quickly form effective work teams appears to make it easier and faster to respond to changing conditions. Given the major financial difficulties now facing many organizations, the use of high-performing teams is more important than ever. But at the same time, the current economic environment presents new challenges to the development of successful work teams.

Innovative Work Teams in a Downturn

A downturn in the economy has implications for investment, organizational structure and job security. All of these factors are likely to influence the use of work teams. Though work teams have been increasingly used as vehicles for innovation, in a tough business environment where organizations are closely scrutinizing expenditures, investments into research, business development and innovative product ideas may often be seen as too much of a risk.

About a month after the government's bailout of Wall Street, with the economic outlook growing increasingly bleak, Janet Rae-Dupree, a writer on science and emerging technology in Silicon Valley, wrote in the *New York Times* about what a global economic downturn could mean for innovation.¹³ In prosperous times, the inevitable failures that emerge from investments in innovation are considered an unfortunate but acceptable part of doing business at the cutting edge—but according to Rae-Dupree, “these aren't such times.” Instead, “wild market gyrations,

what cutbacks in supporting innovation could mean for the future: “We're focusing on the short term and we're not planting the seeds for the future.”

Tough economic times also create tension between collaboration and competition. The PriceWaterhouseCoopers 11th Annual Global CEO Study surveyed 1,150 CEOs on the implications of globalization and connectivity.¹⁴ The study found that for today's global CEOs, “one of the most pervasive motifs is the tension between collaboration and collective action on the one hand, and competition and individualism on the other.” In relation to building teams, this tension is part of “having to manage a fluctuating network of employees and contractors.”

According to Estrin, companies must continue to foster innovation by instilling five core values in the organization: questioning, risk-taking, openness, patience and trust.¹⁵ As keepers of the corporate culture, HR can help promote these values and instill them into the process of building work teams. This may not always be easy. Trust especially may be difficult to foster in a company that has experienced widespread layoffs. Continuity of team members may be threatened not only because of staff being lost to cutbacks, but also because layoff “survivors syndrome” often leads to high turnover of the most talented and valuable team members.¹⁶

These unrelenting forces of change and the complexity of so many competing interests may make the process of building innovative, collaborative teams as much an art as a science. But despite these challenges, the goal of continuing to build strong teams that respond to change by innovating is still a worthy one. Though a tough economy may make it more difficult to foster an environment that allows innovative teams to flourish, for those HR professionals and organizations willing to take up the challenge, this is precisely the kind of strategic investment that will pay dividends now and in the years ahead.

Given the major financial difficulties now facing many organizations, the use of high-performing teams is more important than ever.

frozen credit markets and an overall sour economy herald a new round of corporate belt-tightening. Foremost on the target list is anything inefficient. That's bad news for corporate innovation, and it could spell trouble for years to come, even after the economy turns around.” She cites Judy Estrin, former chief technology officer at Cisco Systems and author of *Closing the Innovation Gap*, as sounding a warning about

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