



# Teams and the Bottom Line

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Few managers now question whether teams can produce better results than traditional operations. Stories of how the team concept improves productivity, cost, cycle time, morale and quality abound in contemporary organizations in virtually every type of industry. Although teams are clearly not appropriate in all circumstances, knowledge work operations and physical work operations have both been improved by these concepts when properly implemented. Fairly recent studies also demonstrate better improvement in growth and financial viability measures in team based organizations when compared to their more traditional counterparts.

However, my personal experience as a manager in or as a consultant to these organizations for about two decades suggests that while good results appear to be an important prerequisite for the sustainability of team based operations, they are not sufficient to guarantee it. Sometimes the results, while improved over a traditional operation, are still not good enough to ensure survival. Other cases suggest that when these operations are sufficiently distinct from the prevailing paradigms and work cultures of the host organization, that the good results alone are not strong enough to protect teams from the pressures to conform to the predominant corporate character.

This chapter will briefly highlight the history of teams and review typical results published by companies who successfully employ them. Then it will look at a number of studies about teams. After considering some “team failure” stories it will suggest some reasons for why even apparently extraordinary teams sometimes fail. There is much to learn from both the success stories and the failure stories of teams, but perhaps the greatest learning of all is how critical the advocacy of leaders is to the sustainability of the team concept.

*Where did the team concept come from?*

Many scholars and practitioners attribute the start of the team concept to the Tavistock Institute studies in the United Kingdom just after World War II. The researchers at the “Tavvy” -- as insiders called it -- wrote about the remarkable accomplishments of a British coal mine that used the ideas of employee team governance. After the war, resources -- particularly capital -- were severely constrained, and so low cost ways to improve productivity were very important to the British economy. This coal mine

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looked like a miracle -- it had a remarkable 25% higher output with lower costs than on a comparison face.<sup>1</sup> How did they do it? The coal miners created self-supervising, multidisciplinary teams.

Called socio-technical systems by movement fathers Eric Trist and Fred Emery, these highly competitive organizations spread slowly at first. India looming cooperatives and a Scandinavian automobile company were early innovators of the concept that spread through parts of western Europe and Australia. In the U.S., companies such as General Foods, Procter and Gamble and Cummins Engine had early successes with teams in factories located in Topeka, Kansas, Lima, Ohio, and Jamestown, New York respectively.

These and other early U.S. applications in the 1960's excited managers and led P&G, for example, to declare the concept as it had been applied in their manufacturing operations in Ohio and elsewhere a "trade secret." Managers such as myself were cautioned against talking about the powerful human technology outside of the company. But it was quietly and methodically employed in each new plant start-up as a substitute for the traditional hierarchical operations of the past. It would not remain under wraps for long. News spread rapidly about how these teams generated better quality, cost control, morale and innovation than their counterparts.

By the 1970's, public business conferences touted team success stories and by the 1980's there were examples of the team based operations in virtually every industry in every developed country of the world. We soon began calling them "high performance work systems" to emphasize their unique ability to produce astonishing results when properly implemented. As its popularity increased the team concept was sometimes misapplied by companies. This often occurred when leadership was interested primarily in the touted returns without being able or willing to invest in the necessary cultural changes to support highly participative organizations. Some organizations that attempted to implement teams were not successful even if they implemented them properly. But all in all, the stories told about these operations were amazing.

### *Illustrative team results*

Consider several examples of the results attributed to team based organizations when compared to their traditional counterparts. All of the following illustrations were reported in presentations at conferences, research interviews or published sources. In each case the company

representatives identified the team concept as being the primary variable responsible for the success. Note that these examples span several years of time are only a few of the thousands of similar stories told about teams:

When I worked at *Procter and Gamble's* soap plant in Lima, Ohio we could make, pack, and ship Downy Fabric softener to the docks of our sister plant located in Sacramento, California less expensively than they could get it out of their own doors. We used the same manufacturing process and made exactly the same product that they did. The difference in performance came from our team design and the advantages it provided us over their traditional system.<sup>2</sup>

*Boeing's* management notes that the faster than normal FAA certification and multiple aircraft improvements on the 777 were due to the team concept. The plane is more manufacturable and serviceable as a result, leading to lower costs. For example, a service door which would normally be located aft of the cockpit was to be eliminated by structural engineers to reduce weight. It was retained when maintenance technicians (who would not normally be on a new product development team) argued successfully that eliminating the door would make servicing certain equipment nearly impossible.<sup>3</sup>

*Corning* has witnessed numerous hard number benefits from teams. The Administrative center, for example, has 135 employees and is divided into 17 self-directed teams. Their initial goal was to save \$2 million in costs over a 5 year time frame, and they actually ended up saving in excess of \$3 million. In their medical claims area, for example, they improved from a turnaround time of 16 days to 10 days. Customer service and employee flexibility improved measurably.<sup>4</sup> Other Corning groups have had similar results. The Corporate I.S. Group saved \$500,000 because of the team concept. The Corning plant in Blackburg, Virginia, turned a two million dollar profit in its first eight months of production, instead of losing 2.3 million as projected for the start-up.<sup>5</sup>

*NBTel*, a Canadian telecommunications giant has had similar bottom line improvements with service teams. After less than a year, one team's revenues increased 20% compared to 10% with the rest of the region. Long distance sales plans improved 65% over the rest of the regions. Troubles decreased over 30% and repeat customer trouble decreased over 40%. Inventory was cut in half and overtime decreased by 30%.<sup>6</sup>

*AT&T* reports that in the case of a critical new product, the team approach was essential in reducing time to market: "As a result of the new team approach, AT&T cut development time from two years to just one year"

notes an article about the effort. “Also, cost was lowered and quality improved.”<sup>7</sup>

*Amdahl* credits teams with major business improvements over traditional approaches. The service operation for the large computer/server manufacturer saw cost savings in the first year after implementation of about \$3.75 million. Overtime was reduced by 55% in the Atlantic area, “and we attribute that decrease to the teams being responsible for scheduling along with the responsibility to determine profit and loss”, they report. “Significantly, revenue per employee has also increased by 26% since 1994.”<sup>8</sup> “The senior people really feel that the teams have added to our sales efficiency”, say leaders at *Toyota* marketing. “For example, in the launch area (before we went to teams) we had three or four situations where the launch wasn’t as successful as we had hoped. We took a long look at our organization and saw that we were too

divided. The coordination and lateral relations weren’t strong enough to support a product launch. Now when we launch a product with the Series Teams, we do a much better job of it... The Series Teams have reached a whole new level of performance, and they’re here to stay.”<sup>9</sup>

A *Welch’s* team showed an interesting contrast between teams and traditional operations in the same facility. They were the only department in the Lawton plant to reach all of their department goals for fiscal year 1996. This shipment team shipped 637,559 cases of product in one week and handled a total of 924,125 cases - all time record numbers for the *Welch’s* Lawton facility.<sup>10</sup>

At the *Mayo Clinic* self-directed physician teams are used in parts of the hospital. When a patient is first diagnosed, an appropriate mix of doctors are temporarily assembled to serve as the patient’s team. They believe this has resulted in per person costs that are 15-22%

Figure 1:

## More Examples of Team Results

### *General Mills*

- Productivity in team based operations is 40% higher than sister factories<sup>14</sup>

### *Aid Association for Lutherans*

- 75% reduction in processing time<sup>15</sup>

### *American Transtech*

- Labor cost decreased from \$180 per unit of work to \$100, quality remained consistently high, throughput improved by 100%, and employee morale soared<sup>16</sup>

### *Northern Telecom Harrisburg*

- Profits doubled after implementation<sup>17</sup>

### *Hewlett-Packard Santa Clara*

- Improved customer responsiveness, business results, and speed of problem solving<sup>18</sup>

### *Sherwin-Williams Richmond*

- Costs 45% lower after teams<sup>19</sup>

### *Port of Seattle*

- Average project cost reduced by 11% (more than \$850,000 saved in first year)<sup>20</sup>

### *Federal Express*

- Cut service glitches (incorrect bills and lost packages) by 13% in one year<sup>21</sup>

### *General Electric Salisbury*

- Productivity improved 250% after teams<sup>22</sup>

### *Cummins Engine Jamestown*

- Production cost savings allowed 25% price reduction on new engine<sup>23</sup>

### *Apple Computers Fountain*

- New plant start-up completed in record-setting time<sup>24</sup>

### *Xerox*

- 75% less worker hours lost to scrap, 42% fewer defects per worker and 17% higher productivity<sup>25</sup>

below the national average.<sup>11</sup>

*Weyerhaeuser*, a large forest products company, has had team based operations in some of their organizations for many years. Executives state that these teams exhibit “dramatic improvement in safety, product quality, and productivity compared with our facilities without such systems.”<sup>12</sup>

At *Microsoft*, technical recruiting teams outperformed traditional staffing organizations. Results? “We have increased productivity well over 50% during the last year. We were able to hire twice as many people. We basically blew every metric we had out of the water. Self-directed teams have really empowered people to do things they were never able to do before. In terms of diversity (age, ethnicity, etc.) our hiring metrics all increased well over 50%.”<sup>13</sup>

There are simply too many published examples to discuss in detail but see Figure 1 for more illustrations of team successes. While these claims may seem far-fetched to skeptics, they are reported with enough frequency to convince most managers that these work systems normally outperform traditional operations.

Information about team performance is not limited to single team or single unit reports. In the last several years studies have surfaced to validate the team success stories and verify that these examples are not anomalies

(see Figure 2). One of the earliest studies was conducted inside of Procter and Gamble where the practice of producing the same products at multiple plants provided an interesting opportunity to contrast team based with traditional organizations in an “apples to apples” comparison. Charles Eberle, a former Vice President of Procter and Gamble summarizes the study: “At P & G there are well over two decades of comparisons of results -- side by side -- between enlightened work systems and those I call traditional. It is absolutely clear that the new work systems work better -- a lot better -- for example, with 30 to 50 percent lower manufacturing costs. Not only are the tangible, measurable, bottom line indicators such as cost, quality, customer service and reliability better, but also the harder-to-measure attributes such as quickness, decisiveness, toughness, and just plain resourcefulness of these organizations. Importantly, the people in these organizations are far more self-reliant and less dependent upon hierarchy and control systems than in the traditional organization.”<sup>26</sup> David Swanson, then a Senior Vice President of P&G, also confirmed these findings in a closed-door meeting at Harvard University in 1984. He noted that what the company called technician systems were “30-40% more productive than their traditional counterparts and significantly more able to adapt quickly to the changing needs of the business.”<sup>27</sup>

Figure 2:

## Examples of Team Results Research

- Steel industry finishing lines ran 98% of schedule vs. 88% for the traditional plants
- Automobile plants made a vehicle every 22 hours with 0.5 defects vs. one in 30 hrs. with 0.8 defects
- Higher shareholder return and gross return on capital among 700 firms studied across industries
- Higher growth in profits, sales, and earnings per share over 5 yr. study period (Forbes 500)
- Positively correlated with future profitability (6000 work groups in 34 firms)
- 70% of the organizations using high performance practices had a positive impact on productivity
- 60% of companies reported productivity increases and 70% reported quality improvements
- 30% to 40% productivity improvements common (long term review of 131 field studies)
- Within a year after team implementation the average company can expect \$27, 044 more in sales per employee, \$3,814 more in profits per employee, and \$18,641 more in market value per employee
- Normally 20% of Fortune 1,000 companies are profitable growing companies but about 50% of the Fortune 1,000 companies that employ best team practices are profitable growing companies
- A meta-analysis of 1,800 North American field studies shows financial improvement index per year for traditional organizations is 103.8% vs. 106.8% for team based redesigns
- Companies report positive or very positive impact on productivity (85%), quality of products/services (85%), customer service (83%), competitiveness (66%), profitability (66%), and employee satisfaction (78%)

Government and university studies have shown similar findings. In a 1993 U.S. Department of Labor Study titled “High Performance Work Practices and Firm Performance” the trend for improved performance in team based operations (what they called innovative work systems) became increasingly clear. Twenty separate university studies were reviewed which showed a positive correlation between effective team practice and organization performance. That research included the following:

- In steel industry finishing lines, innovative work systems ran 98% of schedule vs. 88% for the traditional plants<sup>28</sup>
- In the automobile industry innovative plants produced vehicles at a rate of one every 22 hours with 0.5 defects/vehicle vs. one every 30 hrs. with 0.8 defects/vehicle for the traditional plants<sup>29</sup>
- Among 700 firms from all major industries studied, those using most of the innovative practices have higher shareholder return and gross return on capital<sup>30</sup>
- In the Forbes 500, there is higher growth in profits, sales, and earnings per share over the five year study period in innovative operations than in traditional operations<sup>31</sup>
- Among 6000 work groups in 34 firms studied, cooperation and involvement is positively correlated with future profitability<sup>32</sup>

The report referenced numerous other findings including:

- A study from a Georgetown University researcher of several hundred firms that showed that 70% of the organizations using high performance practices had a positive impact on productivity<sup>33</sup>
- A study of Fortune 1000 companies by Edward Lawler and colleagues that showed that among companies increasing responsibilities in the business process, 60% reported productivity increases and 70% reported quality improvements.<sup>34</sup>
- A long-term review of 131 field studies comparing 44 practices (structural, human resources, and technological) with productivity showed that changes in work practices (job design and teamwork) were “strongly related to increased productivity” -- generally associated with 30% to 40% performance improvements<sup>35</sup>

The summary of the study concluded: “...existing evidence suggests that innovative work practices are positively related to both productivity and firm per-

formance. The adoption of such practices could prove crucial to the future competitiveness of the United States economy.”<sup>36</sup>

Consider a few more studies. A 1995 Rutgers University study found that within a year after team implementation the average company can expect \$27,044 more in sales per employee, \$3,814 more in profits per employee, and \$18,641 more in market value per employee.<sup>37</sup> A study of 179 large companies reported by Mercer Management Consulting in April of 1996 notes that about 20% of Fortune 1,000 companies are profitable growing companies,<sup>38</sup> but about 50% of the Fortune 1,000 companies that employ best team practices are profitable growing companies.<sup>39</sup> The Texas Tech University study compiled by Barry Macy may be the most extensive study looking at organization restructuring and bottom-line business results. It is a meta-analysis of 1,800 North American field sites from 1961 to 1991 including a seven-year study of 131 organization redesign efforts. According to the June 1998 summary, “a holistic and integrated organization design across all four categories of action-levers can yield a 3-7% financial improvement in results per year.” The financial improvement index per year for traditional organizations is 103.8% while team based redesigns (brownfields) are 106.8% and new team based operations (greenfields) are 110.1%.<sup>40</sup> Finally, a recent study by the Center for Effective Organizations indicates a strong positive correlation between employee involvement practices and results. Companies in the 1996 survey reported a positive or very positive impact on productivity (85%), quality of products/services (85%), customer service (83%), competitiveness (66%), profitability (66%), and employee satisfaction (78%).<sup>41</sup>

It simply has become difficult to argue that team based organizations aren't more effective than traditional organizations. Compelling evidence exists to the contrary.

### *Are all teams successful?*

In spite of the mounting evidence about the success of teams, not all team based operations are effective. In my discussions with team managers and practitioners, many people suggest that about half of the team implementations fail.<sup>42</sup> By failure they mean an inability to sustain the team concept over time.

There appears to be several different reasons why teams fail. In my experience there are three reasons, however, that account for the majority of them (see Figure 3). The first, and most common reason is that some team based organizations do not have sufficient support systems in

Figure 3

## Common Reasons why Teams are not Sustainable:

1. Support deficiency
2. Competent nonsurvivability
3. Conformity tendency

place to ensure long-term viability. I'll call this a support deficiency. The second reason is that some team based organizations cannot produce sufficient results to warrant continued existence even though they may outperform traditional operations. Let's call this competent non-survivability. The third reason is that some team based organizations are so different from the normal culture of the bigger organization of which they are a part that they cannot retain their unique culture over time. I'll refer to this reason as the conformity tendency. Let's review each of these reasons in more detail.

### *Support deficiency*

Sometimes a flawed implementation sews the seeds of unsustainability into the organization from the onset. I am familiar, for example, with a number of operations that failed to build-in appropriate support structures designed to sustain the teams over time. Starving teams of these systems, structures, and resources virtually guarantees team demise in much the same way that cutting off the power or blocking the roads can choke even an otherwise successful city. A full implementation of the team concept includes much more than putting people into groups called teams. It requires that all of the organization systems and processes reinforce the team concept.

Any democratic system requires certain infrastructure to survive. Constitutions declaring common values, fair and open voting processes, democratic systems of governance, a free press, unfettered economic systems and structures, power checks and balances and other institutions, laws, and practices are important for the sustainability of any democratic society. Do democratic

work cultures require less? I don't think so. Democratic structures like teams will not survive for long in a work culture that is fundamentally autocratic. They have the same life expectancy as a small democratic enclave encircled by a totalitarian regime.

### *Information Infrastructure*

Let's consider one important type of team support structure in more detail: information infrastructure. When investments in appropriate training or communication processes are insufficient, team effectiveness erodes in much the same way that the lack of a free press facilitates the devolving of societal systems into aristocracies based on whoever controls and manipulates information. Teams need real time facts and data -- not corporate propaganda, untested opinion, stale news, or incomprehensible jargon. Information systems, training and learning processes, employee monitored goals and metrics, team meetings, and other methods for the gathering and interpreting of real time data are important. The old saying about computer programming -- "garbage in, garbage out" -- is particularly applicable to teams. The teams can be no more effective, and therefore no more sustainable, than the quality of the information they receive.

A chemical plant, for example, reported that during the start up of their first team based organization that they had an explosion. Although this serious problem wasn't caused by the team concept, the corporation put strong pressure on the plant to reinstate traditional foremen who had been eliminated during the redesign. If foremen had been there, they suggested, perhaps the problem wouldn't have happened in the first place.

The corporation was nearly able to reimpose a foreman centered control process because the plant had no way to maintain team control without good information structures. The plant was able to stave off the “corporate help” by committing to an intensive training effort which taught individual employees the technical aspects of their jobs to a degree that only the previous foremen had known. Without this training the teams would not have been capable of assuming certain portions of the self-directed team concept. Instead of team control, the organization would rightfully insist that another method (the one well-tested over time with the foremen) be reinstated.

However, good information and training are not enough. Even more important than open access to information is the ability to take action on that information. When team governance is not designed into the workplace the organization will usually recentralize power back into a hierarchy over time. Why wouldn't they? As human institutions they will predictably go back to the comfort of the norm in spite, oftentimes, of the early success of the teams.

### *Substitutions for hierarchy*

Non-institutionalized employee involvement processes that operate in parallel to, rather than in substitution of, the fundamental power structures of the workplace are doomed to be temporary experiments from the very beginning. If we know nothing else about sustainable high performance work systems we know this: these organizations require a fundamental shift in the management paradigm. Evidence of whether a true shift has taken place is easily seen in the support infrastructure of the work system. Ask these questions. Are there no constitution or other documents declaring shared team values as a substitution for the traditional benevolent autocracy values? No public measures in place to allow people other than management to determine when the operation is suboptimal? No employee governance councils to substitute for traditional hierarchical decisions? No evidence of true shared accountability? Are the teams buffered from the consequences of their actions by paternalistic leaders who unintentionally limit the learning that comes from the responsibility to deal with your own mistakes? No institutionalized systems for information sharing? No viable investments in the education of the citizens of the company? No democratic structures for making the core decisions of the organization? If you don't see extensive physical evidence of

a paradigm shift, you can pretty well assume that the teams in this organization won't last too long.

Consider a rather simple example. When the performance appraisal system or the corporate policies or the pay system are in conflict with the team concept, the lack of alignment causes predictable problems that generally result in the team failing. In one organization in Tektronix, for example, the performance appraisal rewarded individual time at the work station and unintentionally penalized things like meetings or cross training because those were deemed “non-productive time”. Although that may have been true in a traditional operation where employees didn't need to concern themselves with solving problems and making decisions together, these activities were important productive time for teams. Until the performance appraisal system was redesigned by the employees, the sustainability of the entire team system was in serious jeopardy.

### *Competent nonsurvivability*

Did you hear the story about the two hikers and the bear? As the bear begins to chase the people one of them drops to the ground and puts on sneakers. The other says “you're crazy, you can't outrun a bear!” To which the first person replies, “I don't have to outrun the bear, I just have to run faster than you!” Similarly, many organizations assume that if they can outrun traditional operations that they will survive. But the marketplace is sometimes more cruel than the wilderness. Being faster than others doesn't matter if there is more than one bear. Survival of the fittest, the Darwinian view of harsh free market realities, doesn't guarantee that the best of each and every species will survive. Sometimes entire species (industries, technologies, etc.) are replaced by others.

Let's review a few examples of team failures to analyze the second reason for lack of sustainability: competent nonsurvivability. This rather unusual juxtaposition of words is to suggest that teams can be better than comparable organizations and still be unsuccessful. Even when teams outperform traditional operations and are designed for sustainability, they cannot guarantee survival. Consider a few startling examples.

In the vast majority of cases, unsustainable teams revert back to some version of a traditional organization. Although the teams are not sustained, the business operation continues. But in a few dramatic cases it has been much more final. Team scholars and practitioners alike point to companies like People Express Airline as an example of what can happen to team based operations

in a worst case scenario. Caught in a whipsaw between rapid growth and risky strategic direction, the promising company went out of business altogether regardless of what had earlier appeared to be very effective teams, committed employees, and a strong democratic infrastructure. Even though their results were very good early on, they were not good enough. Early success never guarantees perpetual sustainability.

Ironically, some of the very companies mentioned above in the success section of this chapter have also been unable to sustain teams in some parts of their operations. Two P&G team based operations in Europe are an example. Like People Express they had a early history of enviable performance which was clearly superior to traditional operations. Like People Express they had strong substitutions for hierarchy and had institutionalized democratic processes. But both plants had a serious geographic disadvantage: they could not compete with plants who were closer to the largest customer populations. According to one P&G executive I spoke with, the cost of freight was such a significant percentage of the total product cost that nothing the teams could do in the plant could compensate for it.

As transportation costs continued to escalate, the company was forced to make a difficult decision. After trying to keep the operations alive for a time to maintain the much valued team operations it finally had to take steps to ensure overall economic viability of the company. Both plants were shut down. To be sure, without the team concept the plants would have been closed down more quickly. But the team concept wasn't enough to keep an organization (whose fundamental purpose is economic) alive when it was no longer competitive.

People at an extraordinary DEC plant in Enfield, Connecticut learned the same difficult lesson. The plant was featured in numerous articles and videos extolling the virtues of team based operations. They had remarkable performance in virtually every business indicator. But they were part of a larger system. As a captive supplier to Digital, they were shut down when the bottom fell out of the DEC business.

I spoke with Bruce Dillingham, the plant manager who started the remarkable facility, just days after the shutdown to find out what had happened. He assured me that the results for the plant continued to be extraordinary -- far surpassing what a traditional operation would be able to do in the same situation. But it was still not good enough when the company wasn't able to respond to a dramatic downturn in their business. Ironically, one Enfield manager told me that he felt that if the plant

had been traditional, instead of a high performance work system, that the facility may have been able to prolong the closing. Unlike a traditional operation which would, in his opinion, have fought the closing, even in the courts if necessary, the teams understood the financial situation and their inability to affect issues beyond the walls of their facility. They allowed the painful closure to proceed without significant argument.

What do we learn from these unfortunate failures? I think we learn that even if team based organizations are more successful than their traditional counterparts, relative competence is not enough to ensure sustainability. The ultimate security of any economic institution is overall financial success. Work systems are only one variable of financial success, and their impact -- even if it is usually better than traditional counterparts -- cannot make up for certain business deficiencies. If our markets disappear, having the best team based organization conceivable won't matter much. If our business strategies are flawed, teams won't matter. If we can't afford necessary new technologies, or win back customers we lost, or get products and services out the doors at the quality and price required by the market, or recover from a public relations fiasco, teams don't matter. Teams are never a substitute for sound business basics. Many team advocates argue that teams increase the likelihood of navigating the turbulent waters of contemporary business because you have more oars in the water. I agree. But teams only reduce business risk -- they do not, and cannot, eliminate it.

Teams are a means to an end and not an end in themselves. Understanding this simple truth may actually increase our chances of creating sustainable team based operations. Some observers of the People Express Airline situation, for example, suggest that if the company had spent less time talking with the press and other guests about their teams and more of that time focusing on business fundamentals, they may have resolved the growth problems that influenced their demise. Sustainability improves as organizations resist the temptation to foster teams at the expense of strong business basics. Effective leaders in team based operations help to maintain this perspective and bring the organization back on track when it wanders too far afield in focusing on the means (teams) rather than the end (results) of the organization.

### *Conformity tendency*

The third reason teams can fail is that the tendency

of operations is to conform to the culture of their host organization. One common manifestation of this problem is what we call the corporate immune response.<sup>43</sup> When team based operations in one plant or division, for example, are sufficiently distinct from the traditional organizations in the rest of the corporation, there can be tremendous pressure on them to conform to the norm. Much as the human body sends out white blood cells to fight off anything that is aberrant to the greater host organism, corporations encourage -- often subtly -- the operations which have different work cultures to be more like everyone else. Importantly, this phenomenon often occurs even when the aberrant organization is superior to the norm.

Lyman Ketchum, the first plant manager of the well known Topeka, Kansas plant (one of the pioneers of team based concepts mentioned earlier in this chapter) has told me on several occasions about how difficult it was to maintain the team based environment inside of an organization which was primarily traditional. Even though the Topeka plant was clearly superior in virtually every financial measure to other plants, for example, he was frequently encouraged by his bosses to bring the "unusual" elements of the rebel system back into line with the rest of the corporation. Corporate executives and staff members questioned lax dress codes, the paucity of policies, and the constant involvement of employees in important decisions. Ketchum was unable to transport what he considered to be a superior work system into other parts of the company. Eventually, he left the company and the corporation sold the plant to someone else.

We had similar situations occur at Procter and Gamble. What we called the "technician systems" at P&G were clearly superior to other traditional plants. But especially in the early days, corporate executives would suggest the modification of certain elements of the team based design which were critical to the success of our operation. We were convinced that without the intervention of our division manager, who was a clear champion of our team based operation at Lima, that we would have been pressured to revert back to a more traditional system.

It is understandable, of course, that these work system pioneers like the Topeka and Lima plants would have been especially affected by the corporate immune response. But I hear almost every week about operations today which still deal with these very real threats to their ability to sustain the teams. Eventually the champions of the concept get worn down, retired, promoted, or replaced and the operation succumbs to the pressure to

be like other organizations.

Let me give you another personal example. I was once engaged by a large consumer products company to aid with their transformation to team based operations from traditional but well-managed organizations. It soon became clear that one particular senior manager had difficulty accepting the concept and putting it into practice. Even though his words were supportive of the transformation effort, he was obviously reluctant to let go of his personal desire to control the teams. The teams reported a lack of empowerment and feared that the restructuring activities that would supposedly give them more decision-making responsibilities were a sham. When we talked about this issue I asked him whether he would be willing to sacrifice his personal management style preferences if he were convinced that they were getting in the way of improved results. He frankly replied that his was the proper way to manage in this company (he had, after all, been told that over and over during his career). If results had to suffer, he said, then that would be an unfortunate but necessary side effect of conforming to well-established management practices in the corporation. The fledgling teams rapidly floundered and eventually devolved back into traditional operations even though they had some very positive early results.

*Management support may be the critical variable for team sustainability*

Perhaps the most important variable for sustaining teams is management support. In each of the three major reasons for why teams fail, leadership plays the key role in either rectifying or preventing the situations which often lead to team demise.

In the previously mentioned study conducted by the Mercer Group, they discovered that the critical element in effective team based organizations was the support of senior leadership. Of the many variables included in the research study, senior leadership support was clearly the one that ranked first in importance to team success over time. This is certainly true in my experience. Consider this interesting example. One large company did a study to determine why more operations in their company hadn't proceeded with redesign efforts to create team based operations. Everyone studied had similar training and importantly, all belonged to a company where the president had clearly evidenced a commitment to the redesign process. Interviews to determine why some operations proceeded while others did not uncovered

an interesting irony. In the operations that declined to move forward, senior leaders cited difficult marketplace problems (cost of raw materials, decreasing demand, etc.) as an important factor in their decision not to proceed with the team based systems. The senior leaders in the operations that did proceed, however, used the exact same reasons to accelerate the implementation. What one leadership group saw as a barrier to implementation, the other saw as an opportunity for action. The difference wasn't the situation in the marketplace, it was how leaders reacted to it. Leadership was the key variable.

Leadership is important for a variety of reasons. Obviously, senior management championship of the team concept is crucial to not only the development of the team based system but also to the sustaining of it over time. In the organizations where support systems have not been institutionalized, they are the key players. They are the only ones with sufficient power to focus organizational time and energy on things like pay system modification or performance appraisal changes. Even in the case where there are well-established substitutions for hierarchy, senior management can provide the support and encouragement necessary to promote continuous improvement of support systems. In the second area of failure, insufficient results, leaders can help maintain a focus on organizational realities and help the teams avoid those business problems that are preventable. Importantly, in the third area of distinctiveness, leaders can buffer the team based operation from other corporate interests which often put pressure on these unique operations to comply with corporate norms which can be detrimental to team sustainability.

### Summary

The sustainability of teams depends on a number of variables highlighted in this chapter. Perhaps the most critical element of all is management support. Without their leadership and intervention, team based operations have difficulty withstanding the normal corporate conformity pressures. In addition, team based operations that are not properly designed with support infrastructure are highly unlikely to be financially viable and/or sustainable over time. Team based operations that are successful are probably more likely to be sustained than those that are not as successful. But even those operations that are clearly superior to their traditional counterparts, are not guaranteed survival if they cannot overcome the other fundamental challenges associated with being an economic entity. We are now fortunate to have a long

and successful history of team based operations in virtually every industry. The biggest challenge of current team advocates is sustaining these gains.



### About the Author

*Kimball Fisher is co-founder of The Fisher Group, Inc. He is the author of *Leading Self-Directed Work Teams: A Guide to Developing New Team Leadership Skills* (McGraw-Hill, 1993), and the co-author of *Tips for Teams* (McGraw-Hill, 1995), *The Distance Manager: A Hands-On Guide to Managing Off-Site Employees and Virtual Teams with Mareen Fisher* (McGraw-Hill, 2000), and *The Distributed Mind: Achieving High Performance through the Collective Intelligence of Knowledge Work Teams with Mareen Fisher* (AMACOM, 1998).*

*Before The Fisher Group, he worked as a team leader in Procter and Gamble's innovative plant in Lima, Ohio and he also worked as an internal consultant at both P&G and Tektronix locations. Fisher has worked with a number of companies implementing high performance management practices across North America, Western Europe, Asia and Africa including Apple Computers, Bristol-Myers Squibb, CDW, Chevron, Colonial Pipeline Corporation, Cummins Power Generation, Hewlett Packard, McDonald's, Microsoft, Norse Dairy Systems, Owens Corning, NBC, Payless ShoeSource, and Weyerhaeuser.*

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# FOOTNOTES

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