

## Team success in large organizations

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**eSCF Operations Practices:  
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European Supply Chain Forum

**Team success in  
large organizations**

**ir. B.A. Driedonks**  
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**Where innovation starts**



# Team success in large organizations

## Concise summary

Teams staffed by members who represent different functions and business units have become a popular form of organization in contemporary companies. The activities of such teams, which are installed for accomplishing complex tasks, cross departmental and business borders. However, after a promising start these teams often appear to quickly lose momentum. What conditions should be in place in order to make such teams successful? And how to secure that these teams actually contribute to company performance?

Eindhoven University of Technology has studied the success of teams extensively. In his PhD research, Boudewijn Driedonks investigated over 100 sourcing teams from 20 large companies. Sourcing teams are exemplar for modern-day organizational teams, making this best practice issue relevant for any field and profession where teams are installed to achieve objectives that span multiple functions and business units. Many of the problems these teams face are related to their cross-functional and cross-business nature, and their strong dependence on stakeholders in multiple organizational units. Based on his study's outcomes, this eSCF review provides practical insight into effective managerial actions for 1) composing a team, 2) stimulating effective collaboration among team members, and 3) managing teams' external contacts.

## Key terms

Sourcing teams, team performance, functional diversity, team embeddedness

## Relevant for

Managers of teams whose activities span functional and departmental borders

### **The future of teams: cross-functional and cross-business integration**

Many companies have started to install cross-functional, cross-business unit teams. The members of such teams come from different functional departments, and represent multiple units in a firm. In theory, teams foster improved communication, awareness and integration among functional and divisional groups in the firm and allow for a more strategic orientation. This approach is thought to be beneficial for all sorts of teams, including new product development teams, S&OP teams, key account teams, and sourcing teams.

For example, consider a firm's procurement activities. The potential savings of bundling volumes across business units is a key incentive for organizing the purchasing function on a corporate level through sourcing teams. At the same time, as more and more activities are being outsourced to suppliers, suppliers' impact on companies' competitive advantage increases significantly, not only in terms of costs, but also in terms of innovation, quality and flexibility, putting high demands on these teams.

Companies that don't move beyond functional silos towards cross-functional operations risk falling behind in today's competitive game. Moreover, multidivisional corporations must achieve synergy among their subsidiaries, global efficiency and local responsiveness at the same time. Does installing teams with members from various backgrounds secure that objectives which span multiple functions and departments are achieved?

### **Team performance lags behind expectations**

In a 2005 survey, McKinsey (2006) found that while nearly 80% of the senior executives surveyed said that cooperation across departments and units is crucial for growth, only 25% of the respondents described their organizations as effective in these tasks.

Cross-functional teams are often installed with high expectations, but within few months after start-up, ambition levels decrease as motivation and cohesiveness among team members flag. We highlight three key causes of tension.

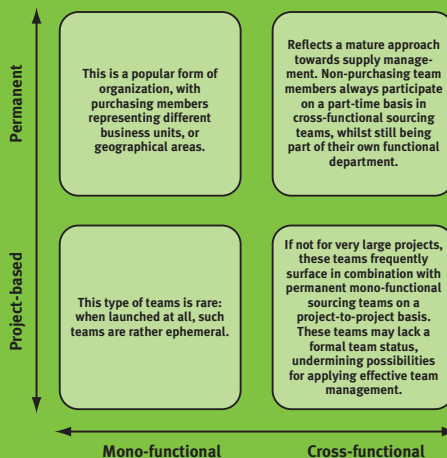
First, the most important advantage of cross-functional teams also forms their stumbling block: diverse team members are likely to differ in opinion and perspectives, speak different languages, occupy different hierarchical levels, and have different objectives. A team's ability to successfully integrate these diverse perspectives and skills is an important driver for moving towards a team approach. However, when not managed properly, these diverse backgrounds will cause misunderstanding, a lack of cohesion and team stress.

Second, team members in large multinational companies increasingly suffer from conflicting interests between the team and their home department.

Full-time commitment of team members is becoming rare, whereas part-time, temporary, virtual, cross-functional, cross-business and even cross-company arrangements are more and more common. Consequently, team members not only have responsibilities towards the team, but also to the department they belong to. For example, as one executive put it: “Business unit representatives in sourcing teams can only lose! If they don’t come up with another supplier, they haven’t been aggressive enough, and if they change supplier, then they have to deal with the pain in the line organization.” In practice, activities directly visible for and acknowledged by line managers are prioritized at the cost of team progress. Third, ultimate success often depends highly on activities beyond the team boundaries. It probably is not hard to recall a cohesive team with high ambitions, but which nevertheless failed to meet its objectives because its plans were not followed up in the organization. Potential reasons for poor performance include a lack of alignment with business unit strategies, poor implementation planning and follow-up, and a lack of commitment for team recommendations outside the team. The question that arises from these observations is: How to lead these teams to success?

### A typology of sourcing teams

Sourcing teams, also referred to as category or commodity teams, are assigned the task of finding, selecting, and managing suppliers for a category of products or services across businesses, functions and disciplines. Typically, sourcing teams are staffed by people from different locations and with different functional backgrounds.



### Academic research on sourcing teams

This question initiated Boudewijn Driedonks' PhD study at Eindhoven University of Technology. Over the past two years, he conducted an extensive research project to detail how sourcing team success can be improved. Driedonks performed multiple quantitative and qualitative investigations, including surveys, workshops, roundtables and in-depth case studies. Over 500 managers and team professionals participated, representing more than 100 different teams from 20 different multinationals. The main research findings are summarized in this best practice publication.

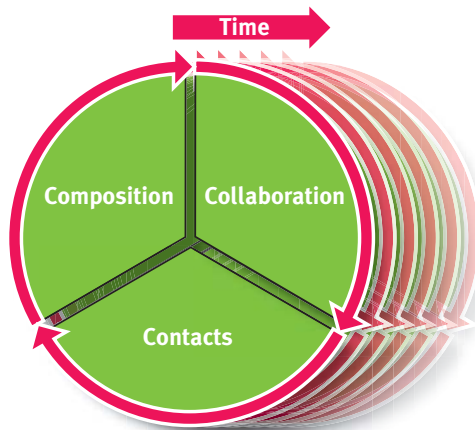


### Summary of the managerial implications

The managerial implications of Driedonks' PhD research are captured in a model that distinguishes management practices on three organizational levels: the individual, the team and the organization. This model, labeled the 3C model, focuses on three essential questions in team management:

- Who should be on the team (Composition)?
- How to foster teamwork (Collaboration)?
- How to embed the team effectively in the wider organization (Contacts)?

Obviously, these three elements are interrelated and dynamic. For example, diversity in the team composition may initially put internal collaboration under pressure, whereas good individual teamwork skills and leadership capabilities improve internal processes. Also external contacts can influence internal team collaboration. The managers of individual team members, for example, may or may not acknowledge and support a member's efforts for the team. Lastly, the 3C model acknowledges that teams are dynamic, and that compositions, internal collaboration and external contacts change over time. The next sections provide managerial guidance for each of the elements in the 3C model.



# 1. Composition

## **What was known...**

When addressing a team's composition, competence and skills of individuals are among the first things that come to mind, as well as members' functional expertise. It is generally accepted that teams benefit from cross-functional members for accomplishing complex targets. Functional diversity proves to enable sourcing teams to complete complex tasks successfully, thereby contributing to innovation, quality and flexibility. Not surprisingly, staffing teams with the right people is a primary concern for managers.

## **What was found...**

Interestingly, however, this research on sourcing team compositions showed that team members and managers have different perceptions about the effectiveness of cross-functional team structures. Team members who are involved in the team's work on a day-to-day basis indicated that a cross-functional approach is a necessity for future performance, whereas managers were more inclined toward mono-functional approaches. These divergent opinions appeared to result from different ways of assessing the appropriateness of functional diversity in teams. Managers generally base their opinion on past team performance on preset criteria, while team members also consider the processes that led to those final team outcomes. Key in that process is whether and how team members can align their functional objectives and preconditions for achieving the team goal. Satisfaction with the functional composition among team members ultimately determines the extent to which they feel motivated to work in cross-functional teams. Managers' opinions determine to which extent they will continue to work with cross-functional teams or, rather, will steer toward a more mono-functional approach.

In one company, for instance, the researchers observed a number of sourcing teams whose performance clearly suffered from inadequate compositions. Although the teams had to source highly technical equipment, the team staffed no technical expert to set and critically review product specifications. Cross-functional involvement, however, was not considered important by management. Without end-user involvement, procurement team members evaluated the technical specifications offered by suppliers. These practices resulted in purchases



that did not meet business needs, undermining the long-term credibility of these sourcing teams.

Furthermore, this research showed that composing teams is not only about the knowledge, expertise and skills members bring to the team, but also about the contacts they bring for gaining information, creating commitment and coordinating actions beyond the team (also see the 'Contacts' section). That a team member comes from a particular functional department or business unit does not necessarily mean that this member can represent his or her home department effectively. The latter depends largely on the network and the hierarchical level of that individual –an aspect often ignored when composing teams. Imagine an S&OP team with a junior marketing team member. Probably, this team member is well able to gather relevant marketing planning information. But once a team decision is made that requires the marketing department to change its plans, it is unlikely that this junior team member can easily create commitment for the intended change.



**What are the implications?**

The research outcomes show that teams benefit from a cross-functional structure, but that managers and team members may have different viewpoints in this regard. This situation puts the effectiveness of management interventions under pressure. Managers may be unaware of how functional diversity supports better team decision making. Reducing functional diversity in teams then leads to short-lived, viable teams. On the contrary, when team members have lost confidence in the current functional composition but the manager is satisfied, a lack of managerial intervention compromises long-term team perseverance. This explains why many teams know a promising start, but quickly lose momentum. It is thus of utmost importance to create a shared understanding of which functions should be involved in team decision-making.



To do this, it is first recommended to install a cross-functional governance structure for cross-functional teams. Cross-functional governance avoids one functional perspective to prevail disproportionately over others. In many companies, however, cross-functional teams operate under mono-functional management (i.e., a mono-functional governance model). Second, engaging in evaluating the process that led to the final team outcomes is a powerful, but often not applied managerial tool for developing a shared understanding of what composition is actually most adequate. Finally, managers should consider prospective members' social capital, which proves to enhance team performance. So, by deciding upon the team composition, managers also determine the initial external contacts of the team as a whole.

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### **Practical recommendations on Composition**

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- Base managerial interventions in teams' functional diversity on an assessment of the processes that led to final performance, rather than on final performance alone. This avoids undermining long-term team viability.
  - Select leaders who have the ability to inspire, coach and challenge team members, as well as the ability to initiate structure well. A stimulating leadership style enhances internal teamwork. Clear task structures make team activities and objectives easy to understand for non-team members.
  - Consider potential team members' social capital when composing the team. Does the intended team composition provide connections with all key external stakeholders, or are they able and likely to establish those connections?
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## 2. Collaboration

### **What was known...**

Internal team collaboration is an area most widely discussed in academic and professional journals. Research has focused on managerial practices that enhance teamwork within teams in general, and in specific contexts such as new product development. Although the importance of best practices such as providing training, rewards and empowerment are generally understood, practice often shows that effective internal processes are hardly supported: much management attention focuses on individuals, rather than on groups.

### **What was found...**

For people collaborating across the boundaries of functions, regions and businesses, it appears hard to align team management in terms of, for instance, reward structures, travel budgets of individual members and team authority. A situation that was frequently encountered was that team members' dedication to team tasks was restricted by their line managers, who wanted those members to prioritize tasks in the line organization over responsibilities related to their part-time team membership. In such situations, getting these things right is beyond the direct span of control of individual team managers. Often, the direct bosses of individual members are not informed about the team's work at all. As one team member in the studies said: "I only inform my boss when the project's results would not comply with our department's guidelines". Not surprisingly, the team member added: "No, I am not concerned about meeting deadlines." Paradoxically, teams most in need of effective team management ?because they are virtual, functionally diverse, and span different departments, divisions or even companies? are those for which effective management is most difficult.

### What are the implications?

To achieve effective teamwork in diverse teams, at least three factors are crucial. First, since team members have different backgrounds, teams need an unambiguous and clear briefing on the objectives, expectations, resources, stakeholders and scope of the task. The risks of potential misunderstandings and different expectations must be minimized from the start. Second, teams need a 'license to act'. Teams whose work impacts multiple departments may face numerous attempts by managers to influence the team's decision making, thereby infringing on a team's license to act. Undue external interferences are detrimental to team motivation and effort. Third, different interests and knowledge bases among team members put high demands on the team leader, whose capabilities to coach, inspire and motivate team members are key drivers for effective internal team processes. Moreover, their ability to clearly structure activities enhances their effectiveness in working with managers outside the team. Guideline Enabling team performance by applying these best practices requires individual team managers to go the extra mile in collaborating with their counterparts in other parts of the organization. This effort is vital for achieving team impact that contributes to firm performance.

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#### Practical recommendations on Collaboration

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- Provide the team with a clear briefing and clear procedures.
  - Formalize key milestones to improve teamwork and to increase transparency for external stakeholders.
  - Support teams with a clear 'license to act'. Empowerment is critical.
  - Guard against undue external interference in team processes.
  - Ensure that all team members are acknowledged for their team contributions, regardless of their departmental background. This supports cross-functional and cross-business involvement.
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## 3. Contacts

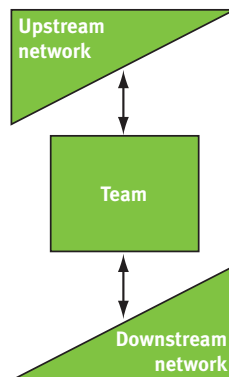
### What was known...

The ultimate performance of many teams depends on how outputs (e.g., decisions, designs, framework agreements with suppliers, recommendations and change initiatives) are followed up by the wider organization. However, research on teams' external activities is scarce, whereas research in the areas of team composition and collaboration is abundantly available. In practice, a similar distribution can be observed in terms of management attention: whereas managers are widely concerned with team composition and collaboration, few managers actually examine interactions with people outside the team.

### What was found...

This research indicates that considering a team's external contacts is a key element in team management. Building on different streams of previous research, Driedonks developed the concept of "team embeddedness". Well-embedded teams are connected to all their key stakeholders, and have effective interactions with those stakeholders, as opposed to isolated teams, which lack such effective interactions. Team embeddedness distinguishes between an upstream and a downstream network.

- Upstream network: team's stakeholders of a higher hierarchical level, who control resources and exercise supervisory responsibilities towards the team
- Downstream network: people who possess information necessary for successful task execution or whose activities must be coordinated by the team



In the studies, team embeddedness proved to be a powerful differentiator between good performance and poor performance –especially when “performance” includes the timely achievement of bottom line impact. For example, one team at a major company clearly underestimated the importance of external contacts. The team’s task was to extend the company’s product range through sourcing and introducing a product in the company’s stores. The initial team members were highly motivated, started making plans and went ahead. Over time, the team found out that it had to involve various other departments, to get things done or to obtain required approvals. They consecutively consulted the corporate Procurement department, the IT department and the Control department. Each time, a new member representing that department had to be added to the team, after which the team had to revisit previous decisions in order to adapt plans to unforeseen requirements. This late involvement of critical stakeholders illustrates a low level of embeddedness in the downstream network.



Moreover, embeddedness in the upstream network was low, too. The direct bosses of the team members from all different departments were not informed about the project. As a result, these bosses did not motivate team members to make progress, and in fact prioritized other tasks. Obviously, the motivation of the team members plummeted as it became an iterative, lengthy process to arrive at the final result.

By contrast, other observed teams showed high levels of embeddedness. They were connected to all key stakeholders right at the start, and enjoyed a smooth process without significant unpleasant surprises. It was also found that managers in the upstream network effectively supported the teams by exerting influence over the downstream network, promoting constructive cooperation between team members and non-team members who must provide information or execute team decisions.

### **What are the implications?**

Of course, staffing a team with members who can easily navigate through specific parts of the organization and bridge gaps with stakeholders is the first critical step for creating team embeddedness. But this alone has proven to be insufficient. Teams should maintain their embeddedness in the organization by identifying the upstream and downstream network on a project-to-project basis. The upstream network must be informed such that managers support individual team members in their tasks, and back up the team when necessary. The downstream network must be engaged to gather information, create commitment, and most of all, to assure that team outcomes are implemented and followed up as intended.

To keep the team focused on this responsibility, managers should structurally adjust their focus. Managers should take the next step by asking questions such as: “How is the team’s task anchored at higher levels of management?”, “Are the managers of all team members properly informed?”, “Is this team well connected to those key stakeholders that ultimately have to accept or approve the team’s output?”, and “Is the team collaborating effectively with those who have to work with the team’s output?” These aspects go beyond what is generally reported to managers, but do predict a team’s potential impact on firm performance to a large extent.

The biggest pitfall may lie in performance assessments and accompanying reward structures. Most teams are requested to self-report their results straight after task completion, while the actual implementation of their outcomes is not assessed. For example, after a sourcing project, teams are required to report contract savings, and then move on or dissolve. Actual savings, however, fully depend on compliant behavior by others external to the team, operational costs of switching



suppliers, quality of delivered products and compatibility with production lines, all requiring downstream network involvement. Sourcing teams may feel little ownership and responsibility for this, when it lies outside the scope of their performance evaluation.

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**Practical recommendations on Contacts**

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- Point out the responsibility (possibly in the initial briefing session) for an early identification of key stakeholders who play a role in current as well as future task phases.
  - Ensure that the upstream network is informed about team progress and assure that team members with various backgrounds receive recognition for their team contributions from their line managers.
  - Involve managers in the upstream network who can exert influence over people in the downstream network.
  - Assist in assuring goal congruence between individual members in diverse teams. Failing to do so may jeopardize teamwork behavior, cross-functional involvement and long-term team success.
  - Encourage teams to develop distinct stakeholder management strategies for the upstream and the downstream network.
  - Assess follow-up activities beyond the team's boundaries and include this assessment in performance evaluations.
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# Timing in team management

So, enhancing team management requires 1) assessing team compositions, 2) monitoring team collaboration, and 3) considering a team's external contacts. Managers should be aware, though, that the timing of team actions and management interventions impacts team success too.

Getting things right at the start is crucial. When the team's launch has been unsuccessful it is particularly difficult to get things right in later stages.

Early efforts to involve all stakeholders at the right time facilitate a higher level of embeddedness and reduce risks of running into unanticipated roadblocks at later stages. It was found that teams that only gradually develop their external ties risk going down an iterative path: every time the team connects to new stakeholders it must readdress its prior decisions and choices, perhaps at great cost. Whereas managers may be inclined to start considering a team's external activities when outcomes must be implemented, truly effective team management includes addressing these matters from the start.

The studies also showed that imposing deadline pressure on teams can result in unexpected, unwanted changes in team activities. Teams under high time pressure spend more time on communicating to their managers (the upstream network) to defend and explain project progress, while reducing communication with others in the organization to gather information, coordinate tasks and create commitment (the downstream network). Pressure on team members' time efficiency risks teams to develop an inward orientation, since there is always the possibility that looking outward leads to new insights that require further changes, and hence, delays. Of course, fierce deadline pressure sometimes is inevitable, but it is recommendable for managers to guard against the potential development of an inward orientation.

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## **Practical recommendations on Timing**

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- Identify and connect to stakeholders in early stages to develop a high level of embeddedness.
  - Guard against an inward orientation by teams when they operate under time pressure.
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# Conclusion

In today's business context, where teams are installed to achieve cross-functional and cross-business integration, team management changes. Only few organizations appear to be able to lead such teams to success. Many of the problems these teams face are related to their cross-functional and cross-business nature, their complex team arrangements, and their strong dependence on stakeholders in multiple organizational units.

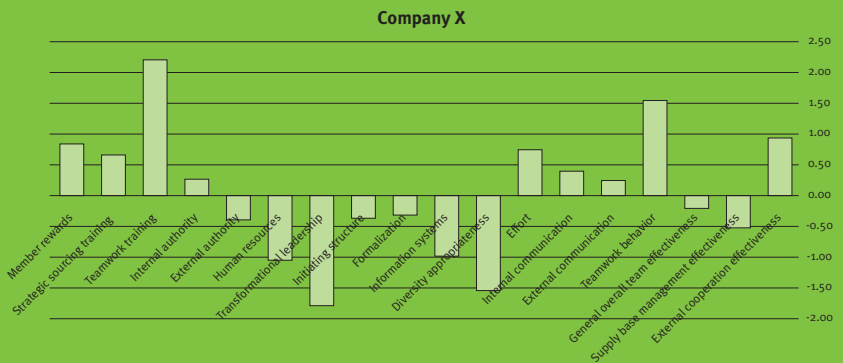
The study by Eindhoven University of Technology provides useful managerial insights into organizing and managing cross-departmental teams. Superior team results only arise when managers succeed in creating the conditions that motivate team members with diverse backgrounds to strive for the same objectives. However, there are other fundamental aspects that need careful consideration. This research showed that a team's embeddedness is a crucial, but often overlooked success factor. Only teams which are anchored well in the organization, and whose outcomes are implemented and followed up by stakeholders outside the team are able to contribute to corporate objectives. The best team managers will be those who understand how to ensure team embeddedness.



## Benchmarking your organization

### Benchmarking against other companies

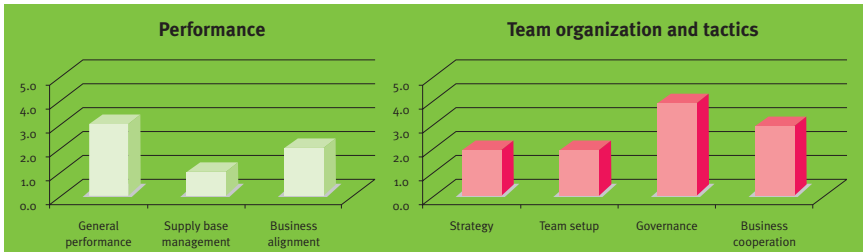
Based on this research, Eindhoven University of Technology developed a benchmark tool to support managers in evaluating and improving team performance. This benchmark tool shows how a company scores on a wide range of success factors compared to other companies. With data from over 100 teams from 20 multinational companies, participating companies were provided with a reliable picture of how well their organizations supports sourcing team effectiveness. The figure below illustrates what such a benchmark result may look like. The tool allowed for determining adequate interventions, since our research findings clearly indicate which factors can drive which specific type of performance outcomes.



### Assessing your own sourcing teams

The university also derived an easy to use assessment tool, which can be applied by individual companies to assess their sourcing team activities. The assessment should be completed by a set of managers who are familiar with the team's projects. Sourcing teams can be assessed on three performance dimensions:

1. *General performance*, covering aspects such as productivity and savings;
2. *Supply base management*, including innovativeness through the supply base, supply base responsiveness, relationship management and risk management; and
3. *Business alignment*, referring to stakeholder satisfaction, service delivered to business, and most of all: value creation through close alignment with internal business partners.



Apart from assessing these three dimensions of performance, it is vital to analyze the drivers of performance. Reviewing various aspects of the organization and tactics of sourcing teams may point at areas that have the highest priority for managerial intervention. Four key groups of performance drivers are:

1. *Strategy*, including:

- Adequacy of sourcing strategy
- Quality of market analyses
- Quality of reporting of strategy and outcomes

2. *Team setup*, including:

- Sufficient representation of functions and business groups
- Quality of teamwork
- Coaching and motivating leadership capabilities
- Leader's ability to structure team tasks
- Availability of resources

3. *Governance*, including:

- Representation of key stakeholder groups in the governance model
- Alignment between the team and business managers in governance structure

4. *Business cooperation*, including:

- Effectiveness of stakeholder management
- Operational alignment with local businesses (business units, operating companies)
- Collaboration with local buyers

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### *Editorial*

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