They're a major innovation in organizing work, and everybody loves them -- in theory. In practice it's another story. Here's how smart companies use them.

CORPORATE AMERICA is having a hot love affair with teams. And why not? When teams work, there's nothing like them for turbocharging productivity. Beguiling examples abound: Scores of service companies like Federal Express and IDS have boosted productivity up to 40% by adopting self-managed work teams; Nynex is using teams to make the difficult transition from a bureaucratic Baby Bell to a high-speed cruiser on the I-way; Boeing used teams to cut the number of engineering hang-ups on its new 777 passenger jet by more than half. Says Boeing President Philip Condit: "Your competitiveness is your ability to use the skills and knowledge of people most effectively, and teams are the best way to do that.''

But wait a minute. Forget all the swooning over teams for a moment. Listen carefully and you'll sense a growing unease, a worry that these things are more hassle than their fans let on -- that they might even turn around and bite you. Says Eileen Appelbaum, author of The New American Workplace: "It's not that teams don't work. It's that there are lots of obstacles.''

That may explain why the use of high-performance teams like the ones that got the results mentioned above hasn't spread as fast as you might have expected. The Center for Effective Organizations at the University of Southern California recently conducted a survey of Fortune 1,000 companies showing that 68% use self-managed or high-performance teams. Sounds like a lot -- but the study also shows that only 10% of workers are in such teams, hardly a number betokening a managerial revolution. "People are very naive about how easy it is to create a team," says USC's Edward Lawler, the management professor who oversaw the study. "Teams are the Ferraris of work design. They're high performance but high maintenance and expensive."

The most common trouble with teams: Many companies rush out and form the wrong kind for the job. Quality circles, primitive types in which people take a few hours off each week to discuss problems, didn't die in the 1980s, though they declined. While they may provide incremental gains in productivity, they'll never give you high-octane boosts. Those come from self-managed or high-performance teams, whose members are truly empowered to organize their work and make decisions. What often happens is that a company afraid to let go of control will create a humdrum quality circle where what's really needed is a dynamic self-managed team, and then wonder why its teams don't work.
To compound the problem, teams often get launched in a vacuum, with little or no training or support, no changes in the design of their work, and no new systems like E-mail to help communication between teams. Frustrations mount, and people wind up in endless meetings trying to figure out why they're in a team and what they're expected to do. Says Paul Osterman, a professor of management at MIT's Sloan school: "When teams are introduced in combination with other organization changes, they work. When they're introduced as an isolated practice, they fail. My gut feeling is most are introduced in isolation."

Boeing's Condit identifies another problem: "Teams are overused." Remarkably, many companies will create teams where they're not really needed. What they don't realize is that workers who are lone wolves or creative types aren't necessarily better off in a team. Making them sit in a team meeting waiting to reach a consensus can even stifle creativity. The key is to analyze the work before you form a team. Does the task really require that people interact with each other? Can the work be done faster by a single person? After all, teams take a lot of time and energy to set up. Says Henry Sims, a management professor at the Maryland business school and author of Business Without Bosses: "You don't use teams with insurance salesmen and long-haul truckers."

When it comes to paying teams, most managers still throw up their hand-held computers in despair. Pay the team as a group? Then won't your star performers feel slighted? Pay for individual performance? What does that do to encourage teamwork? Companies that use teams best generally still pay members individually, but with a significant difference: They make teamwork -- a sharing attitude, the ability to deal well with others -- a key issue in an individual's annual performance review.

The reengineering craze is also taking its toll on teams. Executed ruthlessly, reengineering can corrode the esprit de corps vital to teamwork. Listen to US West's Jerry Miller, whose team of billing clerks in Duluth, Minnesota, got downsized out of existence last month: "When we first formed our teams, the company came in talking teamwork and empowerment and promised we wouldn't lose any jobs. It turns out all this was a big cover. The company had us all set up for reengineering. We showed them how to streamline the work, and now 9,000 people are gone. It was cut-your-own-throat. It makes you feel used." US West, which argues that in the long run reengineering will enhance teamwork, admits that for now, "people's stress levels will be high, and some people will be sad and angry."

For all the trickiness entailed in getting them right, corporate America obviously shouldn't give up on teams. Used correctly, they still increase productivity, raise morale, and in some cases spur innovation. Smart companies like Textron, Nynex, Boeing, and Allina navigated the bumps and potholes of team building. Their stories offer compelling examples of how to overcome the troubles with teams. Here's what they've learned.

- **Use the right team for the right job.** A common mistake among managers is to think a team is a team is a team. To the contrary, a more accurate taxonomy reads like Homer's catalogue of ships in the Iliad: problem-solving teams, product-development teams, self-managed teams, virtual teams, to name just a few. Too often a CEO will get excited about the idea of teams and order them up as if only one type existed. That kind of unthinking, one-tool-for-all-jobs application is bound
to send tremors through the ranks. The CEO of a Western manufacturing company suddenly announced that from now on everybody was going to be in a team. The next day absenteeism soared.

Understanding the history of teams helps in choosing the right kind. Widespread use of teams in America started in the 1980s when industries like autos and steel, trying to combat growing Japanese competition, began forming quality circles, in which workers meet weekly or monthly to discuss ways to improve quality. These teams helped companies cut defects and reduce rework, but enthusiasm for them has ebbed. The USC study of *Fortune* 1,000 companies found that 65% of companies used such groups last year, down slightly from 1987. Professor Ed Lawler says that quality circles are losing appeal because they operate parallel to work processes rather than within them. In other words, they're good for solving minor quality problems, but because they don't accompany changes in the way work is done, they can't spark quantum leaps in productivity.

The teams most popular today are of two broad types: work teams, which include high-performance or self-managed teams, and special-purpose problem-solving teams. Problem-solving teams, in particular, differ from quality circles in important ways. Where quality circles are permanent committees designed to handle whatever workplace problems may pop up, problem-solving teams have specific missions, which can be broad (find out why our customers hate us) or narrow (figure out why the No. 3 pump keeps overheating). Once the job is done, such teams usually disband. The USC survey found that 91% of American companies use problem-solving teams, about a third more than seven years ago. And on average, about 20% of a company's employees are beavering away at any given time on such teams.

While problem-solving teams are temporary, work teams, used by about two-thirds of U.S. companies, tend to be permanent. Rather than attack specific problems, a work team does day-to-day work. A team of Boeing engineers helping to build a jet would be a work team. If a work team has the authority to make decisions about how the daily work gets done, it's properly described as a self-managed or high-performance team. Common tests for a self-managed team are, Can it change the order of tasks? Does it have budgets?

- **Create a hierarchy of teams.** Time and again teams fall short of their promise because companies don't know how to make them work together with other teams. If you don't get your teams into the right constellations, the whole organization can stall. The problems at DEC, America's second-largest computer maker, stand as a striking illustration. The Maynard, Massachusetts, company announced in July it was abandoning its matrix team structure. Under the old system, workers in functional areas -- engineering, marketing -- also served on teams organized around product lines like minicomputers or integrated chips. The teams spent endless hours in meetings trying to build a consensus between the two factions in the matrix: the functional bosses and the team bosses. Its sheer organizational weight left DEC a laggard in the fast-moving technology sector.

Boeing has an organizational structure similar to DEC's but with a critical difference. Its structure encourages teams to work together and seize initiative. Says Henry Shomber, a Boeing chief engineer: "We have the no-messenger rule. Team members must make decisions on the spot. They can't run back to their functions for permission." This kind of freedom allowed Boeing to use teams to
build its new 777 passenger jet, which flew its first successful test flight this summer with fewer than half the number of design glitches of earlier programs.

When the Seattle aerospace giant set out to design the 777, a massive project eventually involving 10,000 employees and more than 500 suppliers, it knew it wanted an entirely team-based organization but wasn’t sure how to make it all work. In the end the company created a hierarchy of teams, a structure meant to get all Boeing's work teams pulling in the same direction. "Our goal," says Boeing's Condit, "is a barrier-free enterprise where all are working to satisfy the customer."

Boeing's 777 project looks like a traditional organizational pyramid, but instead of layers of management, it has three layers of teams. In all there are over 200 cross-functional teams, each made up of people from departments like engineering, manufacturing, and finance. At the top of the pyramid is a management team of the five or six top managers from each discipline who, as a group, have responsibility for the plane’s being built correctly and on time. Underneath this management group is a large group of the 50 or so leaders -- half each from engineering and operations, set up in 25 to 30 two-person teams -- who oversee the 200-plus work teams that have responsibility for specific parts of the plane. These work teams are typically cross-functional groups of five to 15 workers. Examples: a wing team, a flap team, a tail team, and so on.

The top management team holds a weekly meeting. The members of the second tier communicate with the top team through their leaders in engineering and operations, and also hold meetings in which they handle major issues like schedule delays or quality problems with suppliers. The group of 50 then returns to the work teams with solutions to big problems. While this team structure worked well to move information quickly up the organization, Boeing realized near the end of the 777 project that information wasn't moving well horizontally. In other words, the wing teams weren't necessarily communicating as well with the cockpit team as Boeing would have liked, causing design glitches. To solve the problem, the company added a fourth layer of what it calls airplane integration teams -- five groups, each with 12 to 15 people drawn from the work teams.

These teams act like the corpus callosum, the part of the brain that transfers information back and forth between the left and right hemispheres. Top management makes sure the integration teams have access to everyone in the organization. Says Scott Forster, an integration team leader: "We can go and get any information now. I can go to the chief engineer. Before, it was unusual just to see the chief engineer."

A few months ago, two Boeing work teams discovered a conflict: One had designed the passengers' oxygen system in the same spot that the other had put the system for the gasper, the little nozzle that shoots fresh air toward the passenger. One of the teams, noticing the conflict, called in an integration team, which got everyone thinking about what was best for the airplane. Within hours the three teams, working together, came up with an ingenious solution: a special clamp that holds both systems. At the old Boeing a problem like that probably wouldn't have been caught until the plane was being manufactured or, as at DEC, would have been pushed up the traditional hierarchy and taken weeks to resolve.

- **You can't have teams without trust.** Reengineering presents a devilish paradox for teams. As a company reengineers, it cuts out layers of middle
management, pushing work down. Employees, forced to find new ways to do more work, naturally gravitate toward teams. But the very thing that often gives rise to teams -- reengineering -- can have a devastating effect on team spirit.

Nynex, the Baby Bell for New York and New England, must restructure itself to prosper in the Information Age. That means shedding 17,000 workers, 30% of its work force, most of whom work in local telephone operations, the company's traditional business. To keep team morale high, Nynex in April signed a landmark labor agreement. Instead of wholesale layoffs, Nynex and the Communications Workers of America, a tough union that conducted a bitter four-month strike against the company in 1989, have a new contract that virtually guarantees no involuntary layoffs. For workers near retirement it adds six years to the person's age, plus six years of service, and supplements social security payments. (It didn't hurt that Nynex's pension fund was overfunded.) For those who either can't or don't want to retire, the contract guarantees training for a new job inside Nynex or one with another company. The training provision is particularly generous: A worker can take two years off and receive $10,000 a year for tuition or can work four days a week and go to school for the fifth, again for two years. Says CEO Ferguson: "It costs in the short term, but I believe we'll build shareholder value in the future by doing this."

• Tackle the people issues head-on. So you've created the right types of teams, built an atmosphere of trust, and changed your organizational structure -- and your teams still seem to be misfiring. What's the rub? Most likely it's clashing personalities. Asks Robert Baugh, a workplace specialist at the A.F.L.-C.I.O: "How do you get people who have been at each other's throats for years to start to cooperate?"

Companies must train managers and workers to deal openly and frankly with other team members. While this sounds elementary, most companies don't do an adequate job. There's no secret or magic formula. While a motivational consultant or two may help loosen people up, most team members pick up new behavior by watching closely how management acts.

A company that set a good example for teamwork is Allina, which runs 17 nonprofit hospitals in Minnesota. The company tried to form teams through the 1980s but always failed. It had the kind of hostile relations with labor unions that could make a World Cup match look genteel. A nurses' strike in 1984 basically shut a hospital for six weeks. Some Allina managers who had been working there for as long as 20 years had never even met a union official. The unions weren't blameless either. A worker remembers being taught by union officials that all you need to know is that boss spelled backward is double SOB. Says Jack Dobier, Allina's labor-management coordinator: "You'll fail with teams if you don't change people's attitude."

Allina did this by forming a team of management and union officials and giving it the power to make a difference. For instance, it found a way to close one of Allina's hospitals without leaving employees stranded. The team set up an employment center that placed 95% of the closing hospital's employees elsewhere in Allina or in other companies.

Not only did this gesture raise morale generally and save the company $8 million in severance costs, but more important, it also showed that management was serious about working with labor. Allina has since created worker-management teams in 11
of its 17 hospitals, with stunning results. One of these problem-solving teams saved the company $200,000 a year by suggesting that maintenance on some hospital equipment, such as emergency electrical generators and operating room lights, be done by the company's own staff.

Ellen Lord, a team leader at Davidson Interiors, a division of Textron in Dover, New Hampshire, found that to keep teams happy, managers must have the patience and presence of mind to act like a parent, teacher, and referee all at once. Lord's product-development team in 1992 created a new product called Flexible Bright -- a high-tech coating that makes plastic for cars look exactly like chrome but won't rust, scratch, or crack. The grille of Ford's new Lincoln Mark VIII contains this new material, and the automaker plans to use it in other lines.

But that success followed an emphatically unpromising start. Team members in the early days sometimes got into fights. A neatnik sitting next to a slob lost his cool. People were becoming emotional about what kind of coffee was brewing in the pot. The manufacturing types thought the engineering members were focused on trivia and bluntly let them know this.

Lord argues that no matter how bad it gets, you must keep people together and talking until they feel comfortable, a process that can take months. Says she: "We threw all the people in one room and forced them to work together. If people from different functions don't get to know each other, they can't ask favors, and teamwork stalls." Lord believes the infighting would have been much worse if she hadn't carefully screened team members before inviting them to join: "As long as all of them were doers who had a depth of knowledge they could apply, I knew the personalities would work themselves out."

Yes, teams have troubles. They consume gallons of sweat and discouragement before yielding a penny of benefit. Companies make the investment only because they've realized that in a fast-moving, brutally competitive economy, the one thing sure to be harder than operating with teams is operating without them.

**The Five Species of Teams**
The kingdom of teams can be confusing. Here's a rundown of the most common types.

**Management Teams**
Consisting mainly of managers from various functions like sales and production, this species coordinates work among teams. This most popular of types comprises knowledge workers who gather to solve a specific problem and then disband.

**Work Teams**
An increasingly popular species, work teams do just that -- the daily work. When empowered, they are self-managed teams.

**Virtual Teams**
A characteristic of this new type of work team: members talk by computer, flying in
and out as needed, and take turns as leader.

**Quality Circles**

In danger of extinction, this type, typically made of workers and supervisors, meets intermittently to air workplace problems.

**Problem-Solving Teams**

This most popular of types comprises knowledge workers who gather to solve a specific problem and then disband.

ILLUSTRATIONS: (RODICA PRATO)

PHOTO: This Boeing team, part of the new 777 jet project, seeks -- and tries to solve -- sticky problems between other teams. (ROBBIE MCCLARAN)

PHOTO: Teams at Allina come up with money savers like having employees maintain this generator themselves. (ROBBIE MCCLARAN)

PHOTO: After a rocky start, this Textron team created a successful new coating for grilles on the Lincoln Mark VIII. (ROBBIE MCCLARAN)

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