



## X-Teams

### How to Build Teams that Lead, Innovate, and Succeed

By Deborah Ancona and Henrik Bresman

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#### Introduction

Why do bad things happen to good teams?

Teams often fail because their members are following the models and theories that are written up in best-selling books on team effectiveness. It's the view of team performance that we've all learned, the one we carry in our heads, and the one that dominates executive team training. It's the view that all a team needs to succeed is to focus within, on its own processes, on the problem at hand and on each other as team members. That mental model guides our actions when we create teams and set their agendas.

The problem is that the world has changed and this model of internal focus doesn't work so well anymore. In the new world of fierce innovation-driven competition and complex problems, leadership can no longer exist only at the top of the organization, but must also be distributed throughout the organization and shared with teams.

Within this world of distributed leadership, teams cannot look solely inward. They must become the eyes that read the changing environment, the people who bring commitment and energy to the task, the visionaries who help shape a new future, and the inventors of innovative solutions for business and world problems. Now teams must work with others to create distributed leadership in action as they innovate and create change.

Therefore, the old way of carrying out team-

work that dominates the culture, a way that's largely internally focused, is only half the story. It's the half of the story that teaches us to be effective in shaping the team's internal dynamics. But the other half — managing externally, across team boundaries — gets ignored. And being only half right, the story can be very wrong. Evidence now exists that team success at leading, innovating and getting things done means managing both inside and outside the team.

#### The Other Half of the Story

Consider the Netgen team at Microsoft. This small team was formed when Tammy Savage, a manager in business strategy, realized that Microsoft didn't really know what technologies it needed to develop for 13- to 24-year-olds, the "Netgeners" or Internet generation. So she created the Netgen team to get to know those customers better and then to develop software to meet their needs.

But it wasn't easy to sell the idea to the top brass and get the resources to find ways to understand the Internet generation. Bill Gates, the founder and technology chieftain, wasn't that interested — the ideas were too vague and it wasn't clear what the actual product would be. The team realized it had to make some changes to both its product ideas and its pitch.

By the next meeting, the team had data about what features Netgeners might like and

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how Microsoft could benefit from that approach. When Gates was still not enthusiastic, another top manager gave the team the thumb's up, and Tammy became a group manager.

The first thing the Netgen team did was try to bring together a set of college students and ask them to work on a business plan. The team wasn't interested in the plan itself, but rather in seeing how the students used technology as they worked together. After a few weeks, team members understood a lot more about how Netgeners used technology and what they wanted it to do for them. And so began the development and production of "threedegrees," a product that would allow groups of people to do things together online, such as listening to music or creating a joint photo album.

Microsoft gave Netgen new space and many new members. Team members got out their PDAs and contacted anyone who might be able to help or provide expertise. They borrowed lots of ideas from others, but invented their own unique form of creative development. They looked at their competitors' products and kept top management informed of their progress while aligning with several management demands. They shopped for the best technologies within Microsoft and, when necessary, developed some of their own. They worked through many technical glitches and internal disagreements. And they kept going back to the customers — the real Netgeners — to test their ideas. Then they produced the code and moved it into Microsoft Messenger, the firm's leading instant messaging application.

## What Is an X-Team?

The Netgen team can be called an "X-team." The X in X-team underlines the point that an X-team is externally oriented, with members working outside their boundaries as well as inside them. The X in X-team emphasizes that years of practice and research have shown that while managing internally is necessary, managing externally is what enables teams to lead, innovate and succeed in a rapidly changing environment.

An X-team differs from a traditional team in three main ways.

**First**, to create effective goals, plans and designs, members must go outside the team — they must have high levels of *external activity*. Netgen did that by seek-

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ing top management support and funding, spending lots of time understanding consumer needs before designing its product, and looking around the organization for pockets of expertise that it could build on.

X-teams seek out information about the customer (often directly as opposed to secondhand), the technology, the market and the competition. They figure out what direction top management is moving in and work either to change that direction or to link to it. They learn from other teams and adapt to new information. They work hard to co-ordinate with others and get buy-in from upper levels. They have effective dialogue with many people outside the team.

**Second**, X-teams combine all of that productive external activity with *extreme execution* inside the team. X-teams develop internal processes that enable members to co-ordinate their work and execute effectively while simultaneously carrying out external activity.

For example, the Netgen team had various members give presentations to top management — an external activity — but then team members discussed the feedback they received about those presentations and changed them. Team members showed extreme execution in their ability to learn from their external forays and change going forward. This fine-tuned internal process is also shown in Netgen's ability to get large amounts of information about the customer and translate it into software features that customers wanted.

**Third**, X-teams incorporate *flexible* phases, shifting their activities over the team's lifetime.

Netgen team members first engaged in *exploration* — learning about customer needs, top management expectations and their own passions about what they

wanted to create. Then they moved on to *exploitation* — actually developing the software that customers wanted and competitors didn't yet have. Finally, they engaged in *exportation* — transferring their product to another part of Microsoft and learning from their experiences. As with other effective X-teams, Netgen changed its process over time to keep the product moving along and to deal with the demands that different phases of a task presented.

## Three X-Factors

Together, those three elements — external activity, extreme execution and flexible phases — form the principles by which X-teams guide themselves. But how are they able to carry out those principles? What kind of structure supports such teams? The answer lies in what can be called three X-factors:

- **Extensive ties** to useful outsiders who enable teams to go beyond their boundaries, co-ordinate their activities and adapt over time. For example, Netgen made use of its ties to other people inside and outside the firm and developed new ties along the way. Team members found people with the expertise and information they needed, and after talking to those people, they got the names of others.

- **Expandable tiers** allow teams like Netgen to structure themselves. Tammy and a few other managers composed the core that led the team, a number of other managers carried out the work, and other members dropped in for short periods to work on specific items.

- **Exchangeable membership** allows a team like Netgen to include members who come in and out of the team and to rotate leadership.

The result is an X-team whose members frequently

navigate across the team's boundary. That enables the team to get more information and adapt quickly to new circumstances. This is an agile group of people who can bring innovation to a company and satisfaction to themselves. This kind of team creates schedules and plans, goals and commitment, but it does so after working interactively with others to define jointly what the team will do and what the final product will be. Here excitement and satisfaction grow as the team gets positive feedback from successes in an organization that has already offered its input and support.

## Research Approach

The ideas behind the X-team concept emerged from a research program that occurred over many years and featured a number of co-authors. The ideas come from watching real teams discover that taking a more external approach enabled them to succeed. The research included many different kinds of teams, including nursing teams, sales teams, consulting teams, product development teams and oil exploration teams. Those teams spanned multiple industries, including telecommunications, education, energy, pharmaceuticals, computers and financial services.

The earliest study — of nursing teams — examined what happened to teams that had extensive team-building training as part of a large project about quality of work life. The hope was that through training in conflict resolution and decision-making, nursing team performance could improve. Unfortunately, although much time and money was spent on this project, and nurses reported a greater ability to interact with each other, audit data indicated little change in performance.

Next came a study of 100 sales teams in the telecommunications industry. Results showed that teams that excelled at internal dynamics were more satisfied than other teams and thought they were better performers, but also showed no differences in actual revenue attainment from teams that didn't have this focus. This raised an important question: what does account for team performance?

By collecting both qualitative and quantitative data, by looking at the logs of team member activity, by interviewing scores of members and leaders in consulting teams, product development teams, drug development teams and oil exploration teams, answers began to emerge. It was an external emphasis paired with ex-

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ternal ties, an expandable structure and extreme execution that differentiated high- and low-performing teams. It was also the ability of those teams to shift their activities over their lifetime and not get bogged down in one phase of work.

But those were teams that already existed within organizations. The next step was to work to create such teams, in organizations such as Merrill Lynch, BP and the Brazilian mining conglomerate CVRD. Those interventions have been very successful, with teams developing new financial products for Merrill Lynch, designing new processes for project management at BP, and formulating a global strategy for CVRD.

## Conclusion

Modern society is moving in a direction in which more organizations will be gravitating to the X-team model. In addition to the value it provides in competition-driven business, it also has application in a world where environmental deterioration, social inequality, poverty and political upheaval are constraints. People from all walks of life will need to work together to solve those problems. Successful teams have followed the X-team principles in the social sector, in government and in groups that mesh government, private-sector and non-governmental members.

X-teams will increasingly become the modus operandi wherever innovation, adaptation and flexibility are prerequisites. The X-team is the perfect vehicle for reaching out to far-flung islands of expertise and information, and for creating new synergies across units and organizations. It's a vehicle to connect and align multiple people inside and outside the organization. ●

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## Related Reading

*When Teams Work Best: 6,000 Team Members and Leaders Tell What it Takes to Succeed*, by Frank LaFaso and Carl Larson, Sage Publications, 2001, ISBN 9780761923664.

*The Five Dysfunctions of a Team: A Leadership Fable*, by Patrick Lencioni, John Wiley & Sons, 2002, ISBN 9780787960759.

*Corporate Circles: Transforming Conflict and Building Trusting Teams*, by Maureen F. Fitzgerald, Quinn Publishing, 2006, ISBN 9780973245127.

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