CHAPTER

12

Team Leadership

Teams are everywhere: in business and industry, in government, in schools, hospitals, professional associations—indeed, almost anywhere people gather to get things done. There are executive teams, management teams, and teams within functional areas from R&D to customer service. There are also special-purpose teams, cross-functional teams, and even industry teams with members from different organizations. Indeed, the movement to collaborative teamwork has been one of the sea changes that have swept through organizations during the last two decades of the twentieth century.

—Frank LaFasto and Carl Larson[1]

Being an effective leader means understanding the nature of leadership as it applies to leading teams. Some researchers (Zaccaro, Rittman, & Marks, 2001) suggest that leadership may be the most important element in whether teams succeed or fail. Contrary to previous leadership theories, where we focused on a leader and followers, in this chapter, the leadership function can be exercised by the leader in charge of the team, shared by members of the team, or both (Daft, 2011). Some researchers refer to this shared leadership model as team leadership capacity (Day, Gronn, & Salas, 2004).

The Team Leadership Model

The team leadership model described in this chapter gives central importance to team leadership capacity in achieving team effectiveness. When the word *leadership* is used, it refers to team leadership capacity. The model itself offers a way of thinking for leaders who share the team leadership role

[1]LaFasto and Larson (2001, p. xi).

and should be used to determine team issues and problems as well as several alternatives to resolve these issues and problems while being cognizant of the team's resources and capabilities and the external challenges and opportunities. The word *external* could mean the organization external to the team and/or the environment external to the organization of which the team is a part. Figure 11.1 summarizes the team leadership model used in this chapter.

Effective leadership in teams assumes behavioral flexibility, problem-solving skills applicable to teams, and using discretion when determining if leader intervention is necessary. In the model in Figure 11.1, the first box suggests that leadership decisions affect team effectiveness directly and through internal and external actions that leaders can decide to take or not take.

Figure 12.1 Hill's Model for Team Leadership

SOURCE: Adapted from *Leadership: Theory and Practice*, Sixth Edition, by Peter Northouse. Copyright © 2013, SAGE Publications, Inc.

Leadership Decisions

These decisions are as follows: (1) Should I continue to monitor, or do I need to take action? (2) If I need to take action, is it task or relationship focused or both? (3) If I need to take action, do I need to intervene inside the team or in the team's external environment (the organization or the environment external to the organization)?

Should I Continue Monitoring or Take Action Now?

Knowing when to take action is a very important leadership skill to develop. Intervening too soon could be more damaging to team effectiveness than waiting. However, waiting could sometimes cause more damage than intervening immediately. This skill develops through experience (similar to most leadership skills), and leaders need to understand that sometimes they will intervene too soon or too late, but sometimes they will get it right. The ability to get it right generally increases as leaders develop more experience in a team setting. The important thing to remember is to learn from intervening too soon or too late.

To determine when to intervene, leaders need information. Gathering this information requires the ability to scan and monitor the internal team dynamics and the external environment in which the team operates. In addition, formal leaders need to let informal team leaders share this task and be open to informal team leaders coming to them with internal team problems and external environmental issues that could help or hinder the team (Barge, 1996; Fleishman et al., 1991; Kogler-Hill, 2007).

Should I Intervene to Take Care of Relational and/or Task Needs?

If team leaders decide they need to intervene, then they must determine whether intervention is necessary to improve problems and issues related to task/structure and/or whether to help improve interpersonal relations among team members, including the team leaders. Effective team leadership focuses on both task and relational issues/problems as a high level of task productivity, combined with superior intrateam relationships, leads to best team performance and development. For virtual teams, it may be necessary to focus on intrateam relationships and then work on fixing issues/problems related to getting the job or task done (Kinlaw, 1998; Pauleen, 2004). Trying to fix task-related problems first may exacerbate the intrateam relationship problems to such a degree that it may make fixing both types of problems much more difficult.

Should I Intervene Within the Team or External to the Team?

This decision is also very important. In the previous paragraph, we suggested that team leaders need to focus on task and intrateam relations. It is also important for team leaders to know when and if they need to intervene between the team and its external environment—be it within the larger organization or even external to the organization. Effective team leaders are able to balance the internal and external demands placed on their teams and to know if and when to intervene in one or in both.

Leadership Actions

The leadership decisions described above affect team performance and development through the actions team leaders take internally and externally. These actions are listed in Figure 12.1 and are based on research that discusses team performance. It is important for team leaders to assess the problem and select the right action or set of actions. The model in Figure 12.1 is a good guide for inexperienced team leaders and will become more useful as leaders gain experience that allows them to internalize the model to the point where it becomes almost tacit—that is, leaders respond to situations without even thinking about the model.

The actions listed in the model are not all inclusive, and astute team leaders will add others and maybe delete some as they gain leadership experience in a team environment. What is most important is developing the ability to discern when an intervention is needed and the appropriate action to take during the intervention.

Internal task leadership actions are used to improve a team's ability to get the job done. They include the following:

- Being focused on appropriate goals
- Having the right structure to achieve the team's goals
- Having a process that makes decision making easier
- Training team members through developmental/educational seminars
- Setting and maintaining appropriate standards for individual and team performance

Internal relational actions are those required to improve team members' interpersonal skills and intrateam relationships. They include the following:

- Coaching to improve interpersonal skills
- Encouraging collaboration among team members
- Managing conflict to allow intellectual conflict but not personal conflict
- Enhancing team commitment
- Satisfying the trust and support needs of team members
- Being fair and consistent in exercising principled behavior

External leadership actions are those required to keep the team protected from the external environment but, at the same time, to keep the team connected to the external environment. These include the following:

- Networking to form alliances and gain access to information
- Advocating for the team with those who affect its environment
- Negotiating with senior management for recognition, support, and resources
- Protecting team members from environmental diversions
- Examining external indicants of effectiveness (e.g., customer satisfaction surveys)
- Providing team members with appropriate external information

One practice that has been known to work is to have senior management speak to the team at the start of a difficult project. This is much appreciated by the team members and shows the team members that senior management supports the project.

The critical point is that team member needs, in support of the goals agreed upon, are met either by the team leader or other team members. Of course, team effectiveness will be better if team member needs are met promptly and effectively, regardless of how the needs are met (Kogler-Hill, 2007).

Team Effectiveness

Team effectiveness consists of two overarching dimensions: team performance and team development. Team performance refers to whether and how well team tasks were accomplished, and team development refers to how well the team was maintained in accomplishing the team's tasks. Several researchers have suggested criteria for assessing team effectiveness. In this casebook, we will use the Larson and LaFasto's (1989) criteria.

We will present these criteria in the form of questions to help assess team effectiveness.

- Does the team have specific, realizable, clearly articulated goals?
- Does the team have a results-oriented structure?
- Are team members capable?
- Is there unity with respect to commitment to the team's goals?
- Is there a collaborative climate among team members?
- Are there standards of excellence to guide the team?
- Is there external support and recognition for the team?
- Is team leadership effective?

These criteria are important in assessing team effectiveness. Effective team leaders will find formal and informal ways of examining themselves and their team against these criteria. Finally, team leaders must be willing to take action to correct weaknesses on any of these criteria (Kogler-Hill, 2007).

How Does the Team Leadership Model Work?

The model in this chapter is a mental map for helping team leaders constantly assess their team's effectiveness, as well as when and where the team's leaders need to intervene. If an intervention is needed, is it internal task, internal relational, or external? This constant analysis is necessary for continuous team improvement. Just as hockey general managers need to continuously assess their team coaches and players, whether winning or losing, team leaders in nonsports organizations need to continuously push for improvement and, for example, must know when it is appropriate to change the coach and/or team members. The team leadership model assists in this push for continuous improvement and helps determine weaknesses that might need an intervention on the part of a member of the team's shared leadership structure.

To continue with the sports analogy, it may be necessary for the team captain to hold a players-only meeting, it may be appropriate for the coach to change team strategy when playing different teams, and/or it might be appropriate for the general manager to change the coach and/or team players. Lou Lamoriello, the general manager of the New Jersey Devils National Hockey League team, changed his team's coach with eight games to play at the end of the 2000 season and ended up winning the Stanley Cup. Since he became the general manager in 1987, the Devils have won three Stanley Cups (he is tied with Ken Holland of the Detroit Red Wings for the most Stanley Cups won by any general manager since 1987), and Lamoriello has done this with a different coach each time whereas Ken Holland has done it with only two different coaches.

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The Cases

The Lithium Fire

In September 2001, 24 Calgary firefighters fought a fire at a battery plant. All of them were taken to hospital with many and different ailments, e.g., throat and eye irritations, severe breathing problems, and headaches. Initially, this industrial blaze seemed to be a routine fire—just another assignment. However, a series of explosions just after they started to fight the blaze soon dispelled this notion. They were forced to withdraw, and several of their colleagues were hospitalized. The incident affected the atmosphere at the fire hall. There were comments from some that they expected better and more information. Why had they not known what was inside the plant? What had gone wrong? What could be learned for similar incidents in the future? Would this affect their teamwork?

Chuck MacKinnon

A bank supervisor must contend with various personnel problems, specifically highlighting individuals—both subordinates and superiors. His immediate supervisor said that the new group was supposed to be great, his new position fun. In the view of his boss's boss, the group had major problems. He soon discovered that he had more problems than he had anticipated. How was he to deal with a dysfunctional group when his superiors disagreed about whether or not there were problems and were also personally antagonistic?

The Reading

X-Teams: New Ways of Leading in a New World

Like a country, an organization can't be too inward looking. Over there, on the outside, lies much of the intelligence and many of the resources that it must have to innovate and lead.

The Lithium Fire[1]

Gerard Seijts

People will forever remember the response of the New York firefighters on September 11, 2001 and never forget the sacrifices they made. Many firefighters rushed into the burning twin towers in a valiant attempt to save trapped office workers.

On September 11, 2001, 343 brave, heroic, courageous firefighters perished fighting fire and taking part in rescue operations in a most courageous and fearless manner, carrying out their duties.

A little over two weeks later, 24 Calgary firefighters ended up in hospital with throat and eye irritations, severe breathing problems and headaches after fighting a fire at a battery plant. Three police officers and three civilians were also treated for minor irritations and released from hospital a short time later. Like their U.S. counterparts, Canadian firefighters and police officers risk their lives on a daily basis to protect the public.

The fire started late afternoon and continued into the evening. The management of the plant had left the facilities. The firefighters thus had limited information to incorporate in their plan to battle the flames. To the firefighters, the blaze looked like a routine fire. The men had encountered fires in commercial buildings on multiple occasions. The industrial fire was seen as just another assignment that needed to be taken care of.

Adrenaline was pumping. The bias for action that characterizes the firefighters led them to grab a hose line to back up another firefighter and to start fighting the flames with vigor. And so the firefighters began attacking the fire through windows in the garage door at the facilities. In the words of Fire Chief Wayne Morris, "Firefighters tried to drown the fire as fast as they could."

But the fire was difficult to extinguish, so the firefighters stepped up their efforts and started to pour even greater volumes of water onto the fire. These were, after all, firefighters! This line of work is about service excellence, bravery, morals, duty, camaraderie and resilience. Individuals join the Fire Service for a multitude of reasons, among them, the challenging nature of the work.

Then a series of small explosions took place. Soon after, people at the site started to complain about throat and eye irritations and severe breathing problems. The firefighters were forced to pull back and to take stock of what had just happened.

The firefighters were unaware the water they were pouring on the flames was reacting with thionyl chloride and lithium inside the building. The resulting cloud of toxic hydrogen chloride gas forced the firefighters to break off their assault. The department's hazardous materials specialists were called in to see what was happening and how to proceed. The firefighters then put out the fire using a combination of water and foam, which helped smother the flames.

In the end, 24 firefighters ended up in the hospital with respiratory distress; 12 were kept overnight. Four firefighters were kept in hospital for over a week. Two firefighters developed long-term health issues.

The working atmosphere at the fire hall was impacted. The shock and trauma in the workplace was real. Some firefighters commented that they had expected to be better looked after, that they did not have enough information about what was inside the burning plant.

Fire Chief Wayne Morris decided a thorough debriefing should be conducted. Where had things gone wrong? What mistakes had been made? What specific lessons should be carried forward? And how could these lessons be passed on to other groups that could use the knowledge to avoid future disasters?

[1]This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of the Calgary Firefighters.

Chuck MacKinnon

Kate Hall-Merenda and Jane Howell

The day after his group's 1994 Christmas party, Chuck MacKinnon, a managing director with the Merchant Bank of Canada (MBC) in New York, wondered how both his group and his career had become so seriously derailed. The night before, he had witnessed the virtual disintegration of a group that he had worked diligently to mould into a fully functioning team. Chuck knew his career and his personal life, as well as the group's survival, depended on how he addressed the multitude of people problems which he thought had been resolved, but which he now knew had only been lying in wait, just below the surface. As he pondered the previous night's events as a denouement of 18 months dedicated to trying to bring his group up to speed for the changing marketplace of the 1990s, he wondered not only what he should do, but if he was the right person to do it.

Chuck MacKinnon

After graduating from Georgetown University with his Bachelor of Science in Foreign Service, Chuck MacKinnon immediately went to work for Corporate Bank International (CBI), partially because CBI offered him the opportunity to work and earn his MBA in Corporate Finance, which he received in 1980. From 1980 to 1991, he held progressively more responsible positions within CBI, including a stint in Hong Kong. Then, in 1992, following CBI's merger with the Merchant Bank of Canada, MacKinnon was offered and accepted a position managing a full service branch of MBC in Saudi Arabia.

The Saudi Arabian months, Chuck's first exposure to the MBC, were fraught with difficulties. Managing a matrix organization with many units having dotted line reporting relationships to other areas around the globe was a challenge, but the larger challenge was solving a myriad of people problems that had been left unresolved by the previous manager.

Not long after his arrival in Saudi Arabia, Chuck discovered that the senior expatriate manager in the branch frequently left the bank to lunch in a bar in the American compound and did not return, and that his predecessor had allowed it. Chuck called Pete Dimarco, his boss in the United States, advised him of the situation and wondered aloud why it had been permitted to go on for so long. He could not have anticipated that he would receive a call from Bill Perkins, yet another MBC senior manager with interests in Asia, who "went ballistic" about Chuck not calling him first. As he reflected on the situation, Chuck noted:

> Immediately I was put off by how the Bank was not dealing with these problems, seemingly allowing them to happen, and accepting it; and then even getting angry with it being surfaced. . . . From the beginning I was never on solid ground on how we wanted to deal with this kind of stuff. We say the right things, but the messages once you get below the surface are not the same.

And there were other problems. Chuck caught some of his staff bribing government officials; having tax refunds directed into their personal accounts; cheating on credit cards; putting foreign exchange tickets in their personal

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desks; and having outside business interests that were in conflict with their jobs at the Bank. He resolved many of these problems by "firing a lot of people"; then he had union problems, but he persevered, trying to resolve the problems in the branch. His perseverance lasted until he started receiving death threats from a client who had bribed a Bank employee in order to get money out of the country illegally and whom Chuck had subsequently reported to the Bank of Saudi Arabia. According to Chuck:

> I thought that I had cleaned it up, that I had gotten the right people in place and that things were running fine and that maybe, after all this pain, given the cultural issues, it was time for somebody else to come in and take it to the next step.

Chuck was looking for a new lease on life when a phone call came from Eldon Frost in Montreal offering him a corporate banking job in New York City with the Merchant Bank of Canada. Eldon portrayed the New York group as "working wonderfully, making money." In fact, he said, "it's a great business, you'll have a lot of fun." Chuck, thinking of his wife and two-year-old child, jumped at the offer.

One Job, Two Mandates

In August 1993, Chuck stepped into his new position as Managing Director, Financial Institutions, with MBC in New York, looking for a fresh start. His job was to manage MBC's relationships with a multitude of financial institution clients as well as to lead a team in marketing MBC's and CBI's corporate financial services and products. His first few weeks on the job were sufficient to convince Chuck that his group had a number of people problems as well as an outdated business strategy. Yet, when he broached the subjects of adopting a new strategy to deal with changing business conditions or making changes within the group with Eldon, Eldon's mantra was "this group is great. Hey, your group is making 10 million bucks a year; it's working wonderfully!"

Although he did support Chuck's idea of a new strategy, Eldon was unwilling to let go of the group's traditional products. He did not see the market the same way as Chuck did; he had a different perspective. Eldon's market was the world, where a shortfall in revenues in one country could be made up by strengthening revenues in another. Chuck's world, the United States, was very different; there was no "contingency" location for making up revenue shortfalls. In spite of these differences, or because of them, Eldon could not see any reason for change; he believed "our group is different, we don't need to change, we're happy, we're separate, don't worry about it."

Eldon was driven by the concept of keeping everyone happy. He had survived a major corporate downsizing and had adapted by keeping his head down and making no noise. Perhaps, Chuck speculated, that was why Eldon's attitude was, "Don't rock the boat, I'm a survivor." It did not help that Eldon had expected to be promoted into his boss's position, had been passed over, and consequently, harbored a great deal of resentment toward Margaret, who had been appointed executive vice president instead.

Margaret Mattson was two levels above Chuck in the corporate hierarchy (see Exhibit 1 for the organization chart) and Chuck met her only after he had taken up his position in New York. Unlike Eldon, Margaret was not satisfied with the Financial Institutions group or its performance. She had held Chuck's position open for a considerable length of time looking for the right person and was sure that Chuck was the person to carry out her "fix it" mandate.

In their very first face-to-face meeting, Margaret told Chuck that she was unsure if it had been the right decision to send Patrick Kinnard, one of the directors, from Montreal to New York. She was also critical of many of the staff that remained in Montreal and she wanted Chuck to fix the group by "getting rid of the weak staff." Margaret was sure that the group's current skills were not sufficient to meet the looming competitive challenges.

In their next meeting, Chuck convinced Margaret that there were also problems with the products the group had to offer and that new ones were badly needed. "That clicked for her" when Chuck showed her the numbers on price concessions the group was making on traditional products and, from that moment on, Margaret fully supported Chuck in driving the group toward a new strategy. Unlike Eldon, Margaret had worked for another investment bank during the major downsizing at MBC. Possibly because of this, Chuck speculated, "she did not have the survivor mind set," and consequently, pushed hard for him to make major changes quickly.

Chuck informed both Eldon and Margaret of their conflicting expectations of him, but it appeared to have very little impact on either of his bosses. Eldon did tell Chuck that he and Margaret had a "you leave me alone, I'll leave you alone and we'll just work together but keep our distance as best we can" type of arrangement and implied that he would have to live with it. Chuck, himself, had seen that they were like "oil and water" and that they worked very hard not ever to be present in the same room. He wondered how he could possibly fulfill both mandates.

Getting to Know the Group

When Chuck arrived in New York, his first order of business was to get to know his group (see Exhibit 2 for a profile of the group). He travelled to Los Angeles and Montreal, meeting members of his team and assessing their skills and prospects. In Los Angeles, he found a high-performing team of 50 under the deft leadership of Bruce Wilson. In Montreal, he discovered a group that felt that Patrick Kinnard, one of their number who had recently transferred to New York, "had cut a deal for himself and deserted them to get paid in U.S. dollars." Practically all of the Montreal people wanted to join Patrick in New York. Chuck knew that Patrick's parting words to the Montreal group were that their much desired relocation would happen.

Chuck was well aware that the financial institutions banking business required that banking professionals be within easy access of their customers, not a lengthy flight away. He decided that the Montreal group had to stay in Montreal. While the group struggled with the prospect of staying in Canada (and being paid in Canadian dollars), Chuck investigated means by which they could successfully operate as a team across two countries and a continent. Technology and travel both offered solutions.

Travel was the easier of the two solutions. Chuck flew to Montreal on a varying schedule, never less than once a month, sometimes twice a week, to travel with his directors and senior relationship managers as they visited their clients. In an attempt to keep the lines of communication open, he augmented those personal visits with conference and groups calls. But, it was not enough; additional technology was required.

The Montreal group was not up to date technology wise. They didn't use e-mail or notebook computers in Canada. Chuck reflected, "possibly because of the technology lag, in Montreal they didn't see the vision" of a continent-spanning team. Chuck tried to correct the technology problem by supplying the Montreal group with notebook computers and cellular phones, primarily for use when they were travelling; but some members of the group could not, or would not, use them.

Chuck's frustration level grew. It took two days to track down one member of the group who was travelling in Europe when a client needed him; "nobody in Montreal even had an itinerary for him!" Why, he wondered, would they not use the scheduling package that he provided on their desk and laptop computers? Why did they view it as "big brother," or use it to check up on what Chuck was doing, instead of just acknowledging that it was merely a tool to make them accessible in times of need? Chuck felt that technology made it okay to have distant groups, while some of the group members said that it destroyed the camaraderie of face-to-face conversation. There was apparently not going to be a meeting of the minds.

Chuck had to admit that technology and travel could not furnish all of the answers to the group's problems. He discovered tremendous frictions within the group: Glenn Wright only worked with, and supported, Neil Forsyth, even though he was supposed to support the whole group; there was conflict between Steve Salmon, Neil and Glenn; and all of this was exacerbated when a demoted Patrick Kinnard moved to New York and began to notice that Glenn was not supporting him either. The fact that Chuck himself was an unknown to the group, except for Dale Cameron and Patrick, added to the overall tension levels. Even though the "sales people got along with everybody and they were great," they were not enough to salvage the team.

Chuck knew that something had to be done to turn his disparate and geographically dispersed group into a team and he thought maybe skill-enhancing courses might be part of the answer. He enrolled the entire group in courses to improve organizational and sales skills and to introduce them to the use of technology in sales, figuring that if they went as a group and developed skills together, it would help to build camaraderie and team spirit. In keeping with that theme, in May, Chuck and the group attended a team-building and high performance team work course that, according to Chuck, went well.

> People came out good friends. I thought there was commitment and I was positive about the whole thing.

Then, in July, Chuck hired the team-building course instructor to work as a consultant to the group.

The Strategy

Chuck had another reason for providing the group members with a minimum of 10 training days per year, even though that number exceeded the average for the Bank. His first few months in New York and Montreal convinced him that the group's business strategy was hopelessly out-of-date with the needs of the financial institutions sector and that something had to change. When he arrived, the strategy had been very much cash management-driven, dealing mostly with cash letters and lock box type accounts. There were two problems with that strategy. First, with all the U.S. mergers, the group had lost business over time because their customers were taken over and they had not always been successful in gaining the acquirer's business. Second, the trend line in the cash management and lending business was downwards, and pricing pressures had been enormous. Even though volume had been increasing, prices were declining and the revenue line had been flat. Chuck knew that "if we had just stayed doing that, there would be no bonuses, no incentive, nothing. It would have been barely treading water . . . we needed to do something else."

Something else was a new strategy that involved expanding into other product lines such as Treasury, derivative products, stock transfer, lending and trust. The group had "never talked any of those other product lines to any U.S. financial institutions." Lack of familiarity bred resistance, even though Chuck worked hard to get and keep the group involved in designing and implementing the new strategy. His people, after all, knew their customers and presumably knew what their customers needed. In Chuck's words:

> That was part of the change that I was trying to get some of these people to deal with; to get up to speed with those products and go out and market them. And that was where I ran into resistance. They would say, why these products, what we're doing now is fine. Why

> change? And my feeling was that business was being commoditized and going to go away and that, in the long run, we were not going to be able to succeed with that.

He hoped by adding to their skill base and teaching them to perform as a team, their resistance to the new strategy would wither and die.

The Group as Individuals

Neil Forsyth, Director

Located in Montreal, and in his mid-50s, Neil Forsyth was the first person to cause real friction for Chuck. He would say, "Why change, we cannot do this, I can't do it because I don't know how, I'm afraid, I don't see the need, I like the traditional thing and I'm good at it and it works." He was angry about the new strategy and kept agitating Chuck about it, making statements like, "You're nuts, it just won't work," while Chuck was trying to build a team. Although previously an exceptional performer, Neil received a quality contributor rating on his 1994 performance appraisal. While Neil believed that his performance ratings fell because of a personality conflict between himself and Chuck, Chuck noted that Neil's "ratings fell because he did not adopt the new strategy or provide that exceptional performance." Given the tension and disagreement between them, by late 1994, Chuck knew that he had to move Neil out of the group and he had started looking seriously for other opportunities for him within the Bank.

Glenn Wright, Associate

Also based in Montreal, during his first meeting with Chuck, Glenn told his new boss "what a great guy he was, how he was better than anyone else, and that he had been promised a directorship." Chuck, taking him at his word, promised to look into that directorship. What he discovered was that Glenn was not always delivering exceptional service. Indeed, Chuck was receiving mixed messages about Glenn's performance from Steve Salmon and Neil; evidently, Glenn had decided he would support Neil but not Steve. Chuck decided that he would not pursue the directorship for Glenn; in fact, he told Glenn that the only way to get promoted was through exceptional performance and that he had seen no sign of such performance.

Glenn felt that he could not deliver the expected exceptional performance in a strictly support role and asked Chuck to allow him to prove himself with his own clients. Trying to be fair, Chuck gave Glenn his own portfolio. Glenn liked having his own clients and did really well with some of them; others he alienated. According to Chuck, "if he needed you, you were his best buddy; if he did not need you, he ignored you; and if you pushed him, you were an !!!!!!!!!" Many of his client relationships were strained.

Glenn displayed very poor work habits and many Monday/Friday absences. Chuck started to get "a lot of heat" about Glenn from both Margaret and Eldon. Margaret, who had initially been critical of Glenn, became even more so after she saw him playing solitaire on his computer in the office. One day Eldon saw Glenn playing solitaire and called Chuck in wonderment, asking "how can an employee play solitaire right out in the open in the office?" Glenn, for his part, did not demonstrate that he wanted to work harder or support the new strategy. His attitude was, "I think you're wrong, I don't buy into any of this, I come in at nine and I'm leaving at 4:30." The chip on his shoulder just got larger and larger.

Deitr Poehlmann, Associate

Based in New York, Deitr's initial relationship with Chuck was a good one. Chuck saw from the beginning that, for some unknown reasons, Deitr was being "grossly underpaid" and undertook to make up a $20,000 annual shortfall over a period of time. As time went on, however, Chuck noted that "Deitr's work was spotty, sometimes okay and sometimes poor," particularly when it came to verbal and written communications in English. Deitr's first language was German, and that, to him, was sufficient reason not to do anything about his English. He believed people would make allowances for his language, even though Chuck spoke with him repeatedly on the matter and told him that they would not. At one point, Deitr went so far as to find an English-speaking trainer of operational staff to attest to his fluency in the English language.

Deitr also had "tremendous problems communicating internally; he would call people liars on e-mail and send copies of the e-mail to everyone, including their bosses" (see Exhibit 3). Such behavior created seemingly endless problems for Chuck, who was called upon time and again to smooth ruffled feathers of colleagues and clients who had been offended by Deitr's rather abrupt manner of communicating and by his tactless language. Chuck attempted to counsel Deitr on both his use of English and the English he used, but to no avail. Indeed, it seemed to have the opposite effect; Deitr had, for many years, believed that the world was prejudiced against the Germans and eventually he directed those sentiments towards Chuck.

Dale Cameron, Director

Dale Cameron originally came from Corporate Bank International and started in the New York group following the 1992 merger between CBI and MBC. He had had a long standing and positive relationship with Chuck when the latter arrived in August 1993. Although Chuck did not push him, indeed, he let him slide because of more pressing issues with others; he did notice that Dale had problems with erratic work. Some of Dale's memos were totally unintelligible, while others were cogent and well written. Chuck suspected a drug or alcohol problem and suggested that Dale access the Employee Assistance Program, but Dale claimed that there was no problem. In retrospect, Chuck admitted that "I ended up protecting him a little bit, became a little co-dependent," and, in November 1994, he gave Dale a quality contribution rating on his performance appraisal, noting that Dale had both accepted, and attempted to implement, the new strategy.

Patrick Kinnard, Director

Patrick Kinnard was Chuck's predecessor, a very capable individual in the cash management business. He had developed some new product lines that were interesting and Eldon had moved him to New York from Montreal in the summer of 1993 to give him a fresh start in a new location after his demotion. Eldon publicly said that, in spite of the demotion, he thought Patrick was great at everything he did and he told Chuck that "Patrick's nose will be out of joint since you got his job, but he will come around." In the beginning, it seemed as if that might be true. Their early relationship was fine and, although Chuck had heard numerous stories about Patrick's serious drinking problem, he did not mention those stories to Patrick. Chuck had decided to reserve judgment and give Patrick a chance to prove otherwise.

Six months later, coinciding with the initiation of the new strategy, Patrick and Chuck's relationship started to deteriorate. Patrick had agreed to follow the new strategy, but felt that Chuck did not respect the traditional cash management business sufficiently. At one point, Patrick went to Eldon, complaining about the strategy and saying that they were heading for disaster. He even brought Dale along to say the same thing. Eldon's reaction was to call Chuck immediately, questioning him about what was going on in New York and demanding that they find a way to work together. Chuck's subsequent interviews with both Patrick and Dale got all of the issues out on the table and he did what could be done to address the doubts both men had about the new strategy.

Then, in the summer of 1994, Chuck received a call from Margaret inquiring about Patrick's random sick days; to her, the absences looked suspicious. Having had some experience with alcoholics and their habits and patterns, Chuck sat down with Patrick, asked him if he had a drinking problem and offered to work with him through the Alcoholics Anonymous steps. Patrick's response was that "he was dealing with it" (see Exhibit 4 for a synopsis of Patrick's absences). Chuck, who was not sure Patrick was dealing with it or that any alcoholic could deal with their alcoholism by *drinking moderately* or *keeping it under control*, suggested the Bank's Employee Assistance Program but Patrick did not take advantage of the offer. Chuck felt that he had done all that he could insofar as Patrick was concerned.

The 1994 Christmas Party

Thinking he could bring the group together and really cement the team spirit and acceptance of the new strategy that he thought was taking hold in the group, Chuck decided to hold the Christmas party in Montreal. He brought in all of the people from the New York office and some from the Los Angeles unit to join the festivities. The party was held in a fancy restaurant and they were seated out in the open. For a while, all went well, but as the evening advanced and people got progressively more "toasted," the illusion of camaraderie began to disintegrate.

The worst part came when group members rose to their feet and began to give speeches. Patrick and Glenn each gave 10-minute speeches putting down the new business direction, asking "where are we going with this strategy?" They also could not resist harping on the bitter relationships in the group. Bill Russell then gave a speech about how "we should all be getting along better." Chuck, who had been trying to sit near those individuals who had major issues, was both embarrassed, "everyone in the place was paying attention," and angry "at the group and at individuals, for rehashing old stuff. It had been a year and a half and they weren't suggesting anything new to replace what they didn't like."

Having had enough, Chuck decided it was time for the party to break up. Passing Lynne Morris on the way out of the restaurant, Chuck could see that she was as appalled as he was and as uncomprehending of what was going on. Although he only wanted to go to sleep, the evening was not over for Chuck. In order to stop Patrick from hitting on Michelle St. Pierre, his executive secretary, he bundled Dale and Patrick into a taxi and got them to the hotel bar. In the bar, Patrick first picked a fight with Dale, and, after Chuck broke up that fight, he picked a fight with Chuck. The whole miserable evening only ended, Chuck reflected, when he finally gave up and went up to bed.

The next day Patrick was nowhere to be seen. Chuck spoke with Bill Russell to see if he could make sense out of Bill's behavior the previous evening. Bill did not really remember making the speech about everyone working together as a team, but he was embarrassed and fully apologetic and vowed it would never happen again. Chuck, for his part, was able to overlook one slip from a stellar performer—it was, after all, Christmas—but he would not overlook another one.

As Chuck reflected on the previous evening's disaster, he found some things to be thankful for. His group was not completely dysfunctional.

The Functional Group

Steve Salmon, Director

Steve Salmon was based in Montreal. He was "a good guy, an average performer, one who would never be a superstar but he supported the strategy and did his best to implement it." He was very good at his job, well liked by his clients in a portfolio that he had handled for five years and he produced consistently good results. Steve was a "solid member of the team and a pleasure to work with. He is well liked by everyone on the team."

Lynne Morris, Manager

An exceptional performer and team player, Lynne was well liked and respected by clients and team members alike. She was a delightful individual who supported the new strategy, who had made the transition into new products fairly successfully, and "she was rewarded that way with big bonuses." Chuck counted on her for fielding calls on traditional cash management issues as well as for implementing the new strategy.

Bill Russell, Manager

Bill Russell was an exceptional performer who had increased his role in the identification of sales opportunities and was taking the necessary steps to close sales. Bill was a committed team member who supported the changes taking place, who willingly brought ideas and opinions to the table, who did a lot of cross-selling of products and who had made the transition to the new products well. Like Lynne Morris, Bill was a high performer and rewarded that way and, again like Lynne, Chuck counted on him for traditional cash management inquires and problems.

Bruce Wilson

A very high performer based in Los Angeles with 50 people reporting to him, Bruce Wilson managed a quality operation with a very thin staff that dealt with a wide range of responsibilities including systems and marketing. His service levels were high and his clients were both very loyal and supportive; his employee morale was high. Bruce emerged from the 1994 Christmas party saying, "Holy God, what the heck is going on here? Good luck to you!"

Chuck's Dilemma

The previous 18 months had not been easy for Chuck. He had always been an exceptional performer but had received only a "quality contributor" rating from Eldon on his 1994 performance appraisal. Although he had tried, he could not get Eldon to explain why he considered him only "quality" and what it would take to become "exceptional" again. Eldon had only suggested that maybe the problem with the group's dynamics was partly due to Chuck's management style. At his wits end, Chuck thought maybe Eldon was right. Perhaps he "just did not get it." He thought, "This is it, I don't know what is going on around here, this isn't working" (see Exhibit 5 for an example of team conflict). But he did not have other avenues in the Bank to pursue. He had talked to people at CBI, but it was tough to get back in once you had left, and he had no network within MBC that he could tap. He felt stuck.

Chuck's growing self-doubts were reinforced by the messages he was getting from Margaret. Although he was convinced that he was pursuing the right business strategy, he wondered about his management style. Margaret's "fix it mandate" had changed; she openly wondered if Chuck's management style had been too severe, too hard. Chuck wondered if, and what, he could be doing better, if he had misunderstood the degree to which the bank was willing to change. "After all," he confessed, "when you have that many dysfunctionalities and a boss persistently saying everything is fine, the result is self-doubt."

On top of the erosion of his self-confidence in his management style, Chuck was beginning to see himself as a co-dependent in protecting Patrick and Dale. He had helped both of them with their work, redone their work and covered for them by writing memos addressing what were major problems and making light of them.

Had he been mistaken in his attempts to give everyone a fair chance to adjust to the new regime before taking action? Could some of the problems have been avoided if he had been, not softer, but tougher?

Then there was his personal life. He had been short-tempered with both his wife and children and had been feeling guilty about allowing his work stresses to spill over into his personal life. Normally, he had been adept in separating the two, but in this case, he had failed.

The day after the 1994 Christmas party found Chuck wondering what was going on. Should he be looking for work elsewhere? The messages from his boss and his boss's boss were clear: it might be his management style. Had he done something wrong? What could he, or anyone else, do to fix it now?

Exhibit 1 Financial Institutions Group Organization Chart

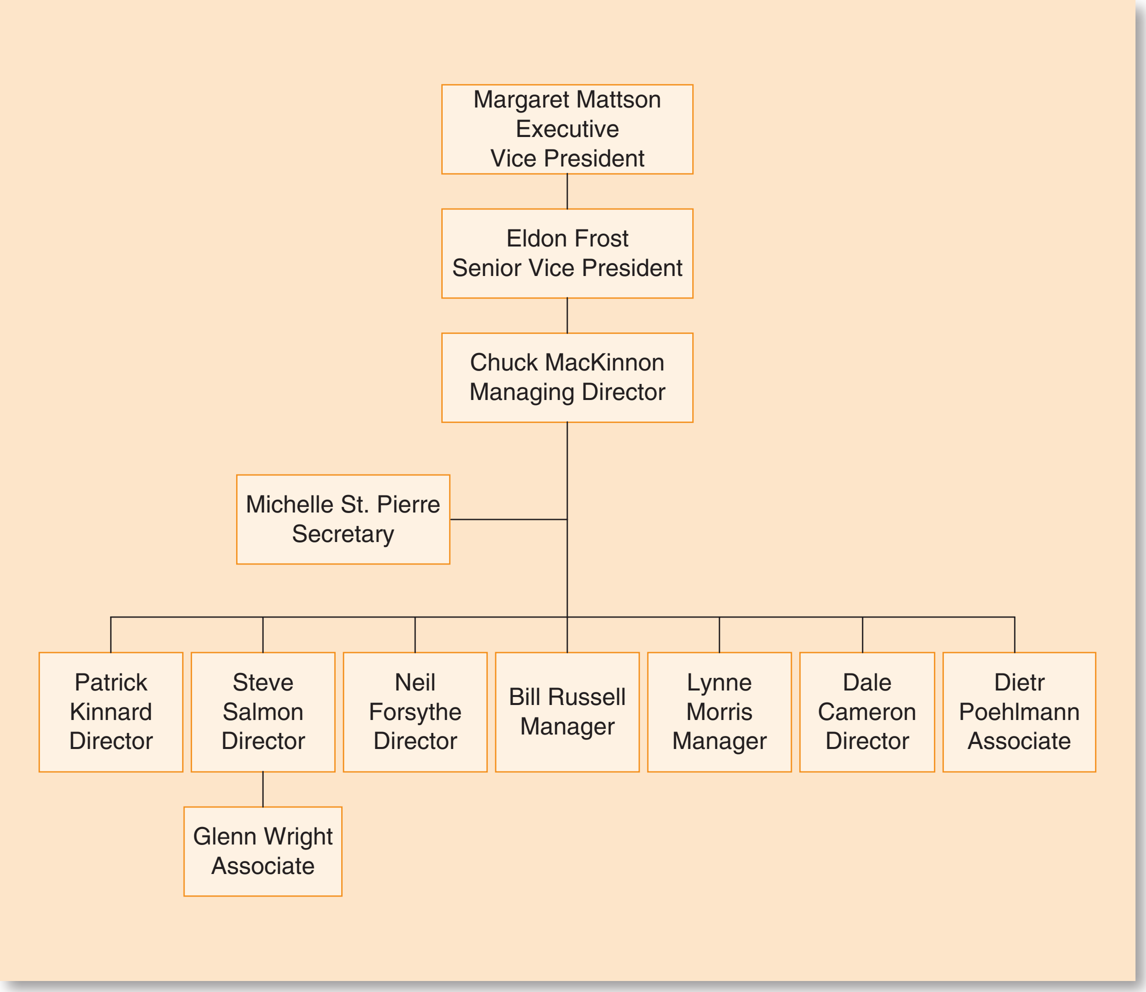

Exhibit 2 A Profile of the Financial Institutions Group

Name	Age	Years in Bank	Years in Position	PPR 1992	PPR 1993	PPR 1994
Chuck MacKinnon	39	3	1	EC	EC	QP
Patrick Kinnard	52	17	7	EC	EC	EC
Neil Forsythe	53	15	5	EC	EC	QP
Dale Cameron	40	18	1	EC	EC	QP
Glenn Wright	35	10	3	QP	QP	QP
Deitr Poehlmann	35	12	3	QP	QP	QP
Steve Salmon	50	20	7	QP	QP	QP
Lynne Morris	52	25	10	EC	EC	EC
Bill Russell	45	20	12	EC	EC	EC

PPR = Performance Planning and Review

EC = Exceptional Contribution

QP = Quality Performer

Exhibit 3 Deitr Poehlmann's Correspondence

From: Deitr Poehlmann
To: Chuck MacKinnon
CC: Bob Grange; Joe Peoples; Stan Mantrop

Chuck,

Usually people that feel threatened, weak, try to hide their weaknesses, or try to ruin one's reputation will send e-mail as Joe did (the one below). I do not know that Joe has against me. I never create conference calls unless all parties know about it and agree to it.

I spoke with Bob Grange this morning. First, he still says that he was not aware of Cory's participation. Since this view is different from mine, I suggest that we call Cory and find out his view. Bob suggested (and I agreed) that we should not have our clients get involved in this. Bob and I decided that from now on, our phone conversations will not include third parties in order to avoid one's not knowing who else is on the phone. Bob also said that Boston Mutual's situation introduced to him is very clear.

I tried to call Joe but he is already in Hong Kong. I wanted to see what was so convoluted to him as, I hope, obviously you understood my e-mail. Obviously, Joe did not. Since it is so difficult to have this thing done with Joe, I think we should just drop it and let Boston Mutual do its thing on its own (which they are as we speak).

From: Deitr Poehlmann
To: Chuck MacKinnon

Chuck, as we agreed and you asked me to do so, I am sending you this e-mail to friendly remind you that as of August 1, you were to consider giving me a merit increase in my salary. I hope that you will be generous and take into consideration all my contribution to growing revenue at International Portfolio. I hope that I am exceeding your expectations from working on reducing backlog, bringing new business, and cross-selling business to existing clients. I want to thank you for your prior recognition in the form of increases and bonus and hope that you see me as a productive member of your team. Also, as you know, my salary, in my view, is below average, although I must say that you kept your word to me about increasing it "over time" to higher level.

From: Steve Salmon
To: Chuck MacKinnon
CC: Deitr Poehlmann

Yes, and I think we'll find Lansing were unhappy as to HOW we dialogued with them, and that also had an influence. While I'm sure it was misinterpreted, I'm told Deitr Poehlmann didn't come across very well in his conversations with them.

From: Deitr Poehlmann
To: Chuck MacKinnon; Steve Salmon

Steve, if they told you that I am not surprised about the statement. There was only one person that I spoke at Lansing. She herself was rude, imposing and cancelled our (Chuck and myself) meeting with them day before we were to go to Atlanta. Their point was that we were "demanding" reciprocity business (custody) from them. I did what I was told by Chuck and Brett Davies. We did not extend the lines as they wanted and I am sorry if they did not like that. I have been dealing with them for the past 3 years without any problem until not all of their demands were met. At that point, I guess, I fell into disfavor. The only bad thing is that right now we are out of $40,000 + revenue.

(Continued)

Exhibit 3 (Continued)

Dear Merridith,

As you know, after closing USD account, Corporate Bank International still maintains Canadian Dollar account with your fine bank. With our ongoing process of reviewing all of our account relationships in an effort to process our business more efficiently and cost effectively, it has become apparent that we need to close the Canadian Dollar account that we maintain with you, as well. Therefore, we decided to close it effective May 15. The account by that time should have no balances left, however, should there be any money left on that day, please have it sent to:

Sincerely,
Deitr Poehlmann

Exhibit 4 Patrick Kinnard's Absences

From: Eldon Frost
To: Patrick Kinnard

I am writing to register my concern on your performance on June 17 as reported to me and Margaret Mattson by Peter Delottinville, VP Employee/Industrial Relations, and as related to him by the two lawyers who spoke with you by phone on Friday June 17 on matters related to a criminal court case against the Bank and where your input was requested.

As advised to me your behavior was such that you were not making sense of the information provided you, nor were you able to answer the questions posed in a coherent and understandable manner. As a result, counsel for the Bank and for Elections Canada have had to prepare a list of questions for you to answer in written form.

In addition, I understand Margaret Mattson also spoke with you by phone the morning of Friday June 17, at approximately 10 a.m., and she was of the impression you had been on calls earlier that morning with Neil Forsythe and Bill Russell. In this regard I have been informed by Neil Forsythe that neither he nor Bill Russell called on customers with you that day and that in fact you advised them that morning that you were ill and could not attend the planned meetings.

Patrick, I am very much concerned with what happened on Friday as this is not the customary behavior expected of you.

In this regard your input on the above events would be appreciated so that we may work together to overcome whatever problems may exist. Eldon Frost.

Chuck MacKinnon's log of events:

12/9 Patrick at the last minute called in to take a vacation day.

1/23 Patrick arrived at 12:00 p.m. "Drove his brother-in-law to the airport."

4/26 Sick day.

6/12 Patrick arrived at 10:00 a.m., said a cab did not show up to take him to the train, so had to drive in.

7/7 Sick Day—back was out.

7/12 Sick Day—back was out.

9/1 Vacation day, family flight delayed in returning from holidays. Called Friday morning.

9/6 Sick day, called at 8:30 a.m. with the flu.

9/25 Had lunch with Patrick today to discuss some of the concerns that he has raised previously. At the same time we discussed some of the administrative problems he has had (the audit, problems with expense claims, not getting back to Redboard on time on information he needed for a board presentation, last minute absences and vacation days, etc.). I indicated that I did not think I should be put in a position of having to cover for him on these problems. I indicated that I thought they were a possible indication of the drinking problem we had previously discussed but Patrick indicated this was not the case. He said he was just sloppy on some things and tended to procrastinate but would work on cleaning this up in the future.

9/27 Sick Day, supposed to be in Montreal after calls in Pittsburgh the prior day, had the flu, was dizzy and sick to his stomach. Had dinner with PNC the night before.

9/28 Sick day, supposed to be in New York, had the flu.

9/28 Had conversation with Eldon this afternoon. Eldon was wondering where Patrick was on Wednesday as he had an appointment to see him. I told him he was sick and Eldon wondered if he was drinking again. I don't know whether Patrick was drinking on this occasion as I did not speak to him but this is not the first time that Patrick has missed a day in Montreal after travelling and having dinner with clients the night before. I did clarify for Eldon that I had had several conversations with Patrick as a friend about the drinking and cautioned him that he could not have any repetitions of past events. When Eldon heard that Patrick continues to drink (he regularly does so with and without clients although I have never seen him drunk again) and believes that he can handle it, he was very concerned as his deal with Ken is that there can be no drinking at all. If there is, their understanding is that Patrick will no longer be allowed to be in a client marketing position as his history in Montreal indicates he cannot control his drinking. Eldon referred to this as his "smoking gun."

Exhibit 5 Team Conflict

From: Dale Cameron
To: Glenn Wright
Cc: Chuck MacKinnon

Thank you for your quick turnaround and I believe that your presentation was done well. I would add, however, that we should be careful about using words (in letters and our presentations) which tend to undermine the "relationship team" concept. Specifically and despite our clearly being more capable of answering their questions, it might have been nice to say that they could also call myself. Finally, I called Linda and Jennifer yesterday and asked for feedback. Had I known you had done so, we could have avoided the extra call and the potential of appearing that we are not coordinating with one another. I will, likewise, endeavor to do the same. I assume the reports and letters are in the centrepoint file, and will copy you on the ones for the other three visits.

From: Glenn Wright
To: Dale Cameron
Cc: Chuck MacKinnon

Dale, this is one relationship you should leave to me. I have an excellent rapport with them and I think we are starting to confuse them. They have also asked several times that the relationship be managed by me through Linda, Homer and now Jennifer, something Linda reiterated in the meeting, if you remember, and in subsequent conversations. In the end, through PPR, we will all share any rewards to be had.

Glenn

From: Dale Cameron
To: Glenn Wright
Cc: Chuck MacKinnon

I could care less about "rewards" and PPR, other than as it relates to doing the job we are expected to do in a fashion that places professionalism and client service first. For that matter, you can have 100 per cent of all the credit on anything that is done with this client. We should always do, within reason, what the client wants and as global R/M you are responsible. If you recall, I specifically said that in my intro. I do not ever remember hearing Linda say anything about this, it was never expressed that way to me by Mike or Linda on the intro call, and I would like to know what conversation you are referring to where Jennifer said this. She's your contact anyway. Finally, I haven't even heard about this request from you until today.

Chuck, your decision is needed and perhaps you should call Homer or Jennifer and ask them outright. In the meantime, as long as I am "responsible" for this specific entity, I expect to be kept appraised of what is being discussed, done and acted upon, as you would expect of me. I have done so and will continue to do so. For that matter, all other entities for which I have responsibility. Rewards—absolutely misses the point.

From: Chuck MacKinnon
To: Dale Cameron; Glenn Wright

P.S. Sounds like there is some friction here. Let's talk about this on Monday between the three of us but the client's interests must be foremost.

X-Teams: New Ways of Leading in a New World

Deborah Ancona, Elaine Backman, and Henrik Bresman

There's nothing really wrong with the way organizational teams work—except for the fact that they are inward looking. This exception is critical, since the connections that enable the firm to seize market opportunities and leverage technological breakthroughs are on the outside. X-teams are externally oriented, and enabling them will lead the organization to step up the pace of change and innovation.

Business pundits tell us that we live in a new world—a world that's flat, global, diverse, and networked.[1] In this world, information flows freely across organizational, geographic, and cultural borders. The result is a hyper-drive environment where innovation is the name of the game, rules are invented on the fly, and the challenge always is to do it better and faster or fall prey to some unknown competitor who just arrived on the playing field.

This article examines how three very different enterprises are dealing with this new reality. In doing so, the article will explore the application of two key concepts. The first is the idea of distributed leadership—a way of harnessing, aligning, and leveraging the leadership capabilities that exist all across an organization to make it more agile, responsive, and creative. The second concept is that of X-teams—teams that enable companies to practice distributed leadership and to reach beyond internal and external boundaries to accelerate the process of innovation and change.

Responding to a New World

Let's take a look at some of the ways people have reacted to the new world. Some have focused on building virtual enterprises—nimble networks of ad hoc teams leveraging new information technologies to accelerate innovation. Others have created more stable organizational structures and cultures designed for consistent and steady innovation over time. Still others have focused on strategic partnerships to spur innovative practices.

One example of the nimble-network approach is the Vehicle Design Summit, an MIT student-led international consortium formed to design a two-hundred mile per gallon car for sale in India. With over thirty-six teams on six continents, funding from major corporations, input from the best universities on the planet, the consortium has already created a working prototype. Each team works on its own part of the design and gets its own funding, while coordinating with other teams and outside individuals and companies. Coordinators—like the logistics people working on how to keep the value chain as green as possible—create rules and tools that enable the teams to reach specific targets. A management team energizes the effort, brokers conflicts, and arranges meetings where teams bring their respective parts of the car together. This is not your typical student project.

A different example is W. L. Gore[2], best known for Gore-Tex®, and which operates on a very different scale from the Vehicle Design

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[1]Thomas Friedman, *The World is Flat.*

[2]Elaine's case.

Summit. The company has been in business for 50 years, has operations in forty-five countries, and generates $2.1 billion in annual revenues. In dealing with the change sweeping across today's corporate environment, Gore has taken the approach of designing more formal organizational structures and cultures that foster innovation and change.

While the traditional role of top-level leadership is to set strategy—including choosing key products, markets, and development priorities—W. L. Gore has turned this process on its head. At Gore, employees get to spend "dabble time" on projects they see as particularly interesting and promising. They elect their own project leaders who then engage in a peer-review process to determine which projects will eventually get funded and become part of the corporate portfolio.

One of the company's engineers working on cardiac implants chose to use his "dabble time" to develop a more tone-resilient guitar string, using the polymer prominent in gore-tex fabric. Over a three-year period the engineer assembled a small team of volunteers to develop the new string and explore the market demand. The peer-review committee awarded the resources to bring the project to scale, and today the company's Elixir strings outsell their closest competitor by a two-to-one ratio.

Multiply this process many times over, add a lattice-type flat organizational structure and an elected top leadership team, and you will get an innovation hot house. Gore has leveraged its knowledge of polymers to develop thousands of products, and step out of its original textiles market into areas such as medical devices, high-tech cables, and new energy technologies.

The new world we live in has spurred even the largest firms to become more agile. One such success story is Procter & Gamble. Historically, this Fortune 50 giant relied on internal capabilities and a small set of suppliers to invent and deliver new products and services to the market. By 2000, however, the company realized that this invent-it-yourself model was not cutting it in today's more competitive environment. The result was a shift from R&D (research and development) to C&D (connect and develop)—from "7,500 individuals inside to 7,500 plus one and a half million innovators outside the company with a permeable boundary between them."[3]

In this new C&D environment, P&G cast a broad global net to find a solution to allow it write on a Pringle's potato chip. Instead of taking months to put together a product development team and charge it with creating a new technology, it found a baker in Italy who could write on a cookie. It used that technology on Pringle's. The same collaborative approach, in this case between P&G and a Japanese competitor, led to the highly successful Swiffer dusters product line.

A New Form of Leadership for a New World

Despite this shifting organizational terrain that includes everything from virtual enterprises to multi-billion-dollar global giants struggling to become "elephants that dance",[4] we cling to our old notions of leadership. We still think of leaders as those within our own organizational boundaries. We still look to the omniscient leader at the top to come up with an inspiring vision, the right strategic direction, exciting new ideas, and the answers to our most pressing problems. Leadership research and training still focuses on the individual leader—his or her traits, behaviors, charisma, character, values, and political savvy.

[3]P&G

[4]Lou Gerstner.

But the single leaders alone at the top or our organizational units cannot understand the complexity of our interdependent, information-driven world. One leader cannot manage the ever increasing levels of interconnectivity within and outside the organization. Nor can organizations afford to wait for information to be passed up to the top for decisions to be made.

In today's new world, there is a greater than ever need for leadership at all levels of the organization—what we call "distributed leadership."[5] Leadership needs to be distributed across many players, both within and across organizations, up and down the hierarchy, wherever information, expertise, vision, and new ways of working together reside. The result is a whole network of leaders who are aligned to move the organization in new directions based on market opportunities and technological breakthroughs. In this environment, influence does not just flow downward, but moves up, down, and laterally, empowering those who are best able to lead at any given time. Equally important, leadership is shared with those outside the firm who can help bring in new ideas, more efficient processes, and stronger links to outside markets and distribution channels.

But how do organizations move in this direction? How do they create the culture and structures that enable distributed leadership? How do they innovate, adapt, and execute rapidly while developing networks of leaders aligned to carry their organizations in new directions? One solution is X-teams.

A New Team for a New World

X-teams are *externally* oriented teams in which team members reach across their boundaries from day one, forging dense networks of contacts inside and outside the firm. These connections enable members to keep pace with shifts in markets, technologies, cultures, and competitors. They enable team members to learn about complex problems and find innovative solutions. They help the team link upper and lower levels of the firm, so that those with the knowledge of markets and potential new products and services can align with those forging new strategic directions and change. These connections can also enable players inside and outside the firm to share expertise and create new synergies that take advantage of emergent opportunities. These external connections enable innovation and adaptation.

X-teams[6] not only reach out across their boundaries to become networked teams (see Figure 1), they also enable rapid execution by moving through three phases: explore, exploit, and export. During exploration, X-Team members act like scouts making sense of their new terrain. They try to understand their task or challenge with new eyes and new ideas—generating as many potential insights and possibilities as possible. Then, during exploitation, they shift gears and envision the one product they wish to create and move from possibilities to reality, doing rapid prototyping along the way. Finally, during exportation, they find ways to move their product, knowledge, and excitement to the rest of the organization or marketplace, assuring that their work is diffused into the broader environment.

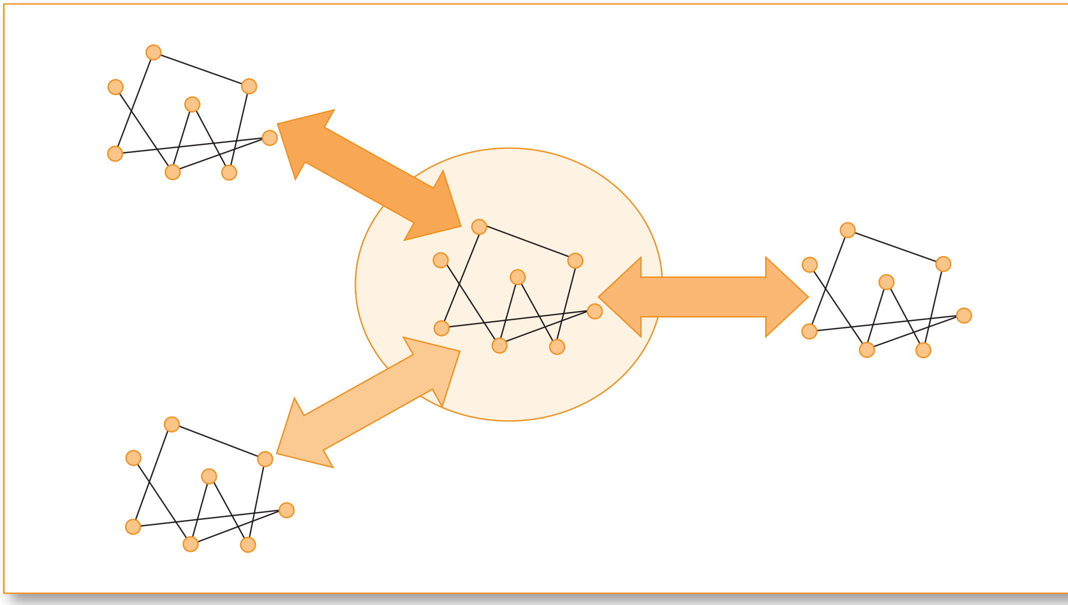
Take a product design team at IDEO,[7] a product design firm headquartered in Palo Alto, California. Asked to design a new emergency room, team members first *explored* emergency rooms from multiple perspectives. To capture the experience of the patients they placed a camera on the head of a patient. After watching ten hours of different views of the ceiling, they *exploited* this information and decided to create a new design for the emergency room that included writing that

[5]Ancona, Malone, Orlikowski, Senge, In Praise of the Incomplete Leader. *Harvard Business Review*, February, 2007.

[6]Ancona and Bresman. *X-team: How to build teams that lead, innovate, and succeed.* Boston: Harvard Business School Press, 2007.

[7]Taken from a talk given at the MIT Sloan School by IDEO CEO Tom Brown.

Figure 1 X-Teams Build External Networks



was projected on the ceiling. They tested the new design with actual patients, doctors, and hospital staff, made some additional changes, and then *exported* their design to a real hospital setting.

X-teams at VDS, W. L. Gore, and P&G are bringing to life the concept of distributed leadership in each of those very different enterprises. For example, each of the thirty-six teams of the VDS initiative operates as an X-team. The teams reach out to get expertise from surrounding companies and universities, and to secure funding from a variety of external sources. They collaborate closely with other teams, whether those teams exist within the VDS consortium or outside of it. They coordinate with the leadership team to ensure that their work is in sync with the overall plan.

Thus, each of the VDS X-teams has a rich network of connections inside and outside the consortium. Through these connections, leadership is distributed across the consortium to more effectively move the entire organization closer to its ultimate goal. Leadership is also distributed within the teams themselves: as the teams move through the phases of explore, exploit, and export, the specific individuals taking on leadership responsibility changes.

When multiple X-teams are aligned they can be a powerful driver of change. At BP, for example, senior project leaders have been tasked with improving the company's project management capabilities. With billions spent each year on major oil and gas projects around the world, making such improvements could result in huge cost savings and strategic advantage.

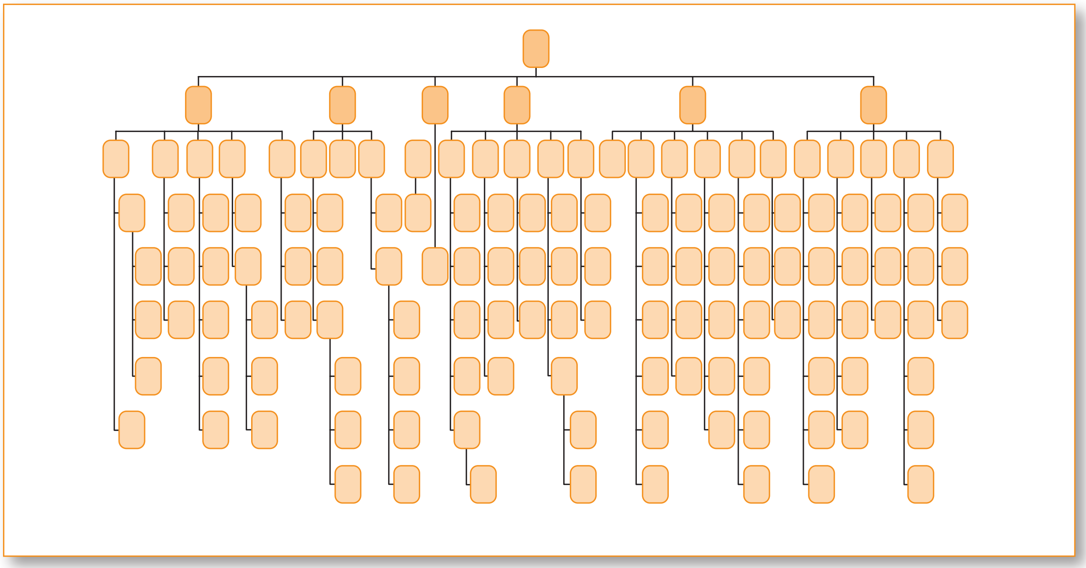
Set up as X-teams, these leaders go through a BP/MIT executive program in groups of about thirty (a cadre). Melding six weeks of classroom work with their X-team work, the leaders spend a year moving through explore, exploit, and export. They reach out to benchmark other companies within the industry and those outside of it. They pull together expertise wherever they can find it. They collect data to better understand where there are problems and where there are new solutions. They communicate with top management to gain support and align with strategic goals. They invent and test new ways of managing projects, including new management systems, new modes of contracting with suppliers, and new methods of project evaluation and staffing. And then they present their ideas to top management, inspiring a whole new set of organizational initiatives that spread new programs throughout the projects community.

BP's gains as a result of this process go beyond the specific projects—although the projects have generated financial gain. More broadly, the process of embedding X-teams into the corporate mindset has created an "infrastructure of innovation" in which new ideas are emerging, knowledge is building, and the improvement in project management practices increases with each year and each new set of X-teams.

In BP's new project management model, there is no one omniscient leader at the top. Instead, multiple leaders work within a team structure. This team creates a network of connections (See Figure 2) that carry out the leadership functions of making sense of a changing environment, creating a web of relationships that foster commitment to change, establishing a vision of what is possible in the future, and inventing new structures and processes that make the vision a reality.[8] Major change occurs as multiple teams work together over time, pulling in top-level leaders, as well as leaders outside the firm.

At organizations such as BP, VDS, W. L. Gore, P&G, and at many others, the X-Team model is an engine of distributed leadership, institutional change, and on-going innovation. As a new corporate landscape evolves, X-teams and distributed leadership will be needed to create the connectivity among these new organizational forms and to create value for employees, customers, partners, and stakeholders alike.

Figure 2 Single Leaders Versus Distributed Leadership



(Continued)

[8]Ancona, Malone, Orlikowski, and Senge

Figure 2 (Continued)