FRONTIER ASSOCIATES, INC.
MANAGEMENT CONSULTANTS

Case Study #1
The Story of the Pseudo-Teams

The Situation

High Tech Enterprises[1] is a leading medium-sized manufacturer of specialized electronic devices that had experienced steady growth over its long history. The company organizational structure was based on traditional functional areas, e.g., manufacturing, engineering, finance, sales, marketing, etc.

About 1½ years prior to engaging Frontier Associates (FAI), two senior executives had attended a conference at which the benefits of a team operation were extolled. Upon their return, the two executives convinced the other senior executives to convert the company's organization structure from the existing functional orientation to one based on product line teams.

The new team-based product line structure created six multi-functional teams, one for each of the company's major product lines. Each of the functional areas had a representative on each product line team. The product line teams were told that they had full responsibility and authority for the profit of their product line.

During the first six months after this new structure was implemented, sales and profit increased at a much faster pace than ever before. However, after the first six months, both sales and profit began to level off, and then began to fall. All efforts to halt this decline had failed, including exhorting the teams to do better and threatening team members with replacement by others.

The Goals

FAI was engaged by High Tech Enterprises to determine the source of the profit decrease, and to suggest and help implement ways in which it might be reversed.

[1] Client names have been changed.

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Our Analysis

We conducted interviews with about 21 employees, representing a variety of functional areas and levels throughout the company. It quickly became clear that High Tech Enterprises had never implemented real teams, but rather had six separate pseudo-teams[2].

When the team-based structure was first implemented, people believed what they were told and operated the teams with a high sense of ownership and excitement. As a result, there was a great deal of innovation, creativity, and focus on getting the job done, with a consequent rise in sales and profits.

However, at the six month point, the teams began to realize that they really didn't have the authority they thought (and had been told) they had been given. The functional vice-presidents still wielded the ultimate budget authority. For example, to implement a particular marketing plan for a product line, the marketing specialist on the product line team had to first convince the team to approve and spend resources on marketing and then on the specific plan. This effort was particularly difficult due to the lack of marketing knowledge by other team members and the logistics cost of getting the team together and spending time discussing marketing. However, regardless of what the product line team said, the VP of Marketing continued to have the ultimate veto power over all such product line decisions. Thus the work involved in getting a team decision was <u>additional</u> to that required in the old structure. This situation was true for all functional areas.

To make matters worse, each product line team made a monthly presentation to the senior executives in which they presented their results for the past month and their budget and plans for the coming months. Rather that this being viewed as a support for the teams, it was experienced as a time for the senior executives to second-guess the product line teams, tell them what they should have done, approve and disapprove their plans for the following month, and threaten them if they didn't improve their performance in the next month.

This is a classic pseudo-team situation. The "teams" were forced to continue to go through the labor intensive and expensive charade of conducting meetings and making decisions. However, they eventually realized that the real decision makers were the vice-presidents and that the teams had no real authority. As a result, the innovation, creativity, and job ownership experienced during the first six months evaporated, leaving the company with all the overhead, but without any of the benefits, of team operation, resulting in a net loss.

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[2] For a definition of "pseudo-teams" and real teams, see *The Inquiry* article "Teams #3: The Types of Groups" or *The Wisdom of Teams* by Kazenbach and Smith.

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The FAI Solution

After explaining the above analysis, we made two recommendations:

1) That the senior executives be trained in the principles and techniques of teams, team-building, and team operation, and

2) At the end of the training workshop, that the leadership make a decision as to what organizational structure they were going to implement, and implement it in fact, i.e., a choice between really implementing the team-based structure (which would mean that the vice-presidents would give up their line-item budget authority) or returning to the functionally-based structure they previously had.

The Results

In the end the vice-presidents were unwilling to give up that much power, and so the product line teams were disbanded and the company returned to a functional structure. Having eliminated the additional overhead of the pseudo-teams, High Tech Enterprises' sales and profits soon returned to the steady growth it had previously enjoyed, although not at the pace experienced when they had first converted to teams.

Summary

Calling a group a team and having them go through the motions of being a team, without giving them the real authority they need and without insuring that they are committed to and implement the required four criteria of being a team, will result in performance that is worse that that of a collection of individuals working cooperatively but not as a team.

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