

X-Teams for Innovation

BY DEBORAH ANCONA AND HENRIK BRESMAN

For more and more companies in today's hypercompetitive business environment, success depends on the ability to innovate and put innovations to productive and profitable use. For those companies—and for government agencies, nonprofits, school systems, and other organizations facing their own innovation challenges—the question is how do you actually create an infrastructure of innovation? How do you establish the conditions that produce breakthrough innovation—not just once, but again and again?



Years of research (ours and others') show that the real action takes place at the team level. This realization is not new. The hard part is to put in place teams that emerge as reliable engines of innovation. How do you actually do it? We offer one eminently practical answer: X-teams.

Fact: Especially in large, complex organizations, the most important work—including the critical work of generating new products and services—is done in teams. That will not change anytime soon.

Fact: Most of our thinking about what makes a team successful is focused on internal dynamics; for instance, on how team members interact, how they structure their work, how they resolve their differences.

Fact: Some of the most provocative research on team performance indicates clearly that a team can work well “on the inside” and still not deliver results. In other words, in the real world, “good” teams often fail.

What Is an X-Team and What Makes It Special?

Numerous research studies comparing high- and low-performing teams—including sales teams, product development teams, and consulting teams in the computer, software, pharmaceutical, and financial services industries—enabled us to develop the X-team model of high-performing teams.

An X-team combines and integrates high levels of **external activity** with **extreme execution** inside the team, hence the name. While most teams engage in some degree of external activity, X-teams view such activity as central to their mission, their mindset, and their modus operandi. “Going outside” is a top priority from the day the team comes together. Like other project team members, members of an X-team are selected because they have the necessary content expertise, process skills, personality, and motivation to work together “on the inside.” But they are also chosen for their ties to other individuals and groups that can help the team achieve its goals, whether inside or outside the company.

X-team external behaviors are illustrated by the Razr team at Motorola. By the late nineties, Motorola, the communications

industry juggernaut, had fallen off track. The former cell phone industry trailblazer was lagging behind more nimble Scandinavian companies like Ericsson and Nokia, and even Korean players like Samsung and LG. The problem was that, like many of its historically successful peers, Motorola had grown into a giant and had become, as Yankee Group analyst John Jackson put it, “the stodgy, engineering-driven, Midwestern company that was Motorola.” Meanwhile, the competition had become exponentially smarter and more aggressive. Motorola’s future looked bleak.

Along came the Razr team. Razr was a team on a mission: it would develop a cooler and sleeker phone than anything the world had seen. Cool and sleek was nothing new, but this team planned to produce a phone that would surpass anything that had come before, a veritable “razor” of a phone. Adding to the technical challenge, the team faced a competitive climate in which so-called smartphones—offering a multitude of functions such as e-mail and Internet browsing—were all the rage.

The challenge of bucking industry trends was matched with what the team was up against at Motorola itself. As other teams had discovered, Razr found that the team’s great ideas, vision, and engineering brilliance was not enough. Somehow the team had to find a way to get the resources it needed to push through a big, unorthodox, and expensive project in a large, orthodox, cash-strapped organization. The answer? The team engaged in three core external activities: scouting, ambassadorship, and task coordination.

An X-team’s external activity takes the form of scouting for new ideas, opportunities, and resources. This might mean conducting a survey, hiring a consultant, interviewing customers, spending a day “googling” the competition, or just having coffee with an old college professor. The Razr team faced real technical challenges. A complex design required complicated technological footwork. Team members started by looking at what other teams had done before them. They looked not only at what had worked and what had not worked but also at what had been discarded. The team solved a number of technological challenges, like mounting a camera on a tiny phone and

HOW TO MAKE X-TEAMS WORK: 5 SUCCESS FACTORS

1. Choose team members for their networks as well as their personality, skills, and compatibility with others.
2. Make external outreach a mind set and modus operandi from day one.
3. Provide tools, such as checklists, to help teams focus on external activities as well as the internal process.
4. Set milestones and deliverables to keep teams moving through exploration, exploitation, and exportation.
5. Work with top management to get their commitment to work as a partner to help establish a context to make X teams work.

developing a keypad that was etched directly onto the phone, by repackaging existing technologies developed—and sometimes discarded—by other teams. Furthermore, scouting the market convinced them that simple functionality and cool design, very different from the smartphones of many competitors, was a niche that was waiting to be filled.

Another critical external activity is ambassadorship, meeting with management to gain support, sponsorship, and protection from potential internal opponents; to acquire funding and other resources; and to keep the team's work tightly connected to the company's strategic imperatives. The Razr team engaged in ambassadorial activity by finding a match between its product idea and top management's desire to shift Motorola's stodgy image. They also worked with top management to “gain air cover” for the team and its program so it could short-cut bureaucratic procedures, eliminate political interference, and move quickly through product development.

Finally, working externally involves task coordination, engaging with other individuals and groups inside and outside the company to get feedback, identify critical resources, and convince or cajole others to help get the task done. Razr had to engage in task coordination. Finding a home in the system of manufacturing and marketing set up for very different kinds of phones was not an easy feat. Nevertheless, by working with other teams, figuring out the interdependencies, and making some compromises (while refusing others), Razr pulled it off.

The end result? The Razr design became the best-selling cell phone in the world. With its killer margins, the product was credited with turning around Motorola at a crucial time. Unfortunately, circumstances unrelated to the Razr project prevented the company from diffusing X-team practices into its culture.

X-teams blend high levels of external activity with “extreme execution” inside. They follow well-established guidelines for building the collaborative culture, a transparent decision-making structure, and open information processing/communication systems necessary to make full use of outside ideas and resources, and they keep the work moving forward.

An X-team's external and internal activities go on concurrently, with changing emphases, through a series of flexible phases that shift with the work requirements. An X-team initially **explores the environment** to figure out what customers want, what the competition is doing, what top management will support, and where resources can be found. By going outside from the very beginning, the team establishes the critical importance of an external focus and innovation begins by bringing new eyes to a problem. For example, when an IDEO design team was redesigning an emergency room, they put a camera on a patient's head for ten hours. After watching ten hours of ceiling they realized that their design would need to expand to the ceiling.

Acting on the results of its initial exploration, and placing somewhat greater emphasis on internal activities, the team then moves quickly to prototype, test, and modify an innovative new product or service that will exploit the most promising opportunity. For example, when a team at Microsoft decided to create new software for the Internet generation, they tested multiple prototypes with potential customers and redesigned multiple times based on their feedback. They worked quickly to get other parts of Microsoft to help them in the redesigns. Finally, the team shifts operating mode again, this time to **export the innovation** to the larger organization for full-scale implementation. The same Microsoft team spent a great deal of time getting others at Microsoft Messenger excited about their software approach.

ANOTHER CRITICAL EXTERNAL ACTIVITY IS AMBASSADORSHIP, MEETING WITH MANAGEMENT TO GAIN SUPPORT, SPONSORSHIP, AND PROTECTION FROM POTENTIAL INTERNAL OPPONENTS; TO ACQUIRE FUNDING AND OTHER RESOURCES; AND TO KEEP THE TEAM'S WORK TIGHTLY CONNECTED TO THE COMPANY'S STRATEGIC IMPERATIVES.

As an X-team moves through these cycles of activity, its members move across the team's core, operational, and outer-tier tiers, changing roles as needed. The team also periodically adds and subtracts members as new linkage and/or expertise is needed. This **exchangeable membership**—along with such activities as scouting, ambassadorship, and task coordination—has the added result of simultaneously reinforcing the team's connection to the larger organization and extending the reach of the team's innovative thinking. Thus, the Microsoft X-team not only created a new social networking product for “netgen” users but also became the driving force behind a new model for customer-inspired software development.

In other words, X-teams are not only highly successful at achieving their own task, they are also highly effective agents of change and innovation across the larger organization.

Making It Happen: Putting X-Teams to Work in the Real World

X-teams can be systematically set up, trained, coached, and replicated. In all, around 100 X-teams have been trained at MIT Sloan's Executive Education program with input from the MIT Leadership Center.

At BP, for example, X-teams have delivered a variety of breakthroughs, including new ways to manage the company's huge oil/gas exploration projects across the world. At Merrill Lynch, X-teams have produced everything from new interest rate volatility indexes to a foreign exchange hedge fund index to an entirely new and very successful distressed equity business. At Vale, the Brazilian mining company, X-teams have been trained to play a key role in taking the company global and integrating newly acquired companies.

These are examples of real success. Before setting up a comprehensive X-team program, however, it is important to recognize the careful planning and substantial support it requires. Important success factors include consistent commitment from top management and a solid launch, ensuring that everyone involved at all levels of the organization commits to the goal of the program and the work needed to get there. Another critical

factor is ensuring that team efforts are celebrated and that all the X-teams' hard work is put to good use.

In *X-Teams: How to Build Teams That Lead, Innovate, and Succeed* (Harvard Business School Press, 2007), we detail how X-teams have driven innovation at companies as diverse as Microsoft, BP, Merrill Lynch, Vale, Procter & Gamble, and Southwest Airlines. Extrapolating from these examples, we also provide detailed guidelines for managers who want to set up an X-team, for X-team leaders themselves, and for senior executives who want to use X-teams as a powerful tool to establish a distributed leadership model companywide.

There is no doubt that X-teams work. There is also no doubt that making them work can be complicated for senior management and taxing for team members. In deciding whether the potential benefits justify the effort, consider the words of Margaret Mead: “Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has.” That is the essential message and truth behind X-teams. ●



DEBORAH ANCONA is Seley Distinguished Professor of management at MIT's Sloan School of Management and faculty director of the MIT Leadership Center.



HENRIK BRESMAN is assistant professor of organizational behavior at INSEAD.