



## Teaming your way through disruption

By **Gerald C. Kane, Rich Nanda, Anh Nguyen Phillips, and Jonathan R. Copulsky**

*Illustration by* **Matt Lennert**

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# Teaming your way through disruption

*Digital tools and capabilities have been credited with helping many organizations weather the COVID-19 disruption, but there's also an analog source of innovation and adaptability in trying times: cross-functional collaboration*

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The past 18 months have felt like a series of massive disruptions, one after the other, yet some companies have emerged stronger because they were able to use the disruption as an opportunity to innovate. While technology has been a key enabler of this innovation, organizational change will have long-lasting impact on which companies will maintain competitive advantage.

One key to innovation in the face of disruption is the use of cross-functional teams. These teams drive innovation in similar ways in both chronic and acute disruption by increasing the ability of the organization to sense changes in the environment and respond quickly to them.

A cross-functional team starts with people from multiple departments. Rather than answering to the line manager to whom they're officially assigned, the team might answer to a project manager or a corporate innovation executive. Along with adaptability, a key advantage to cross-functional teams is the enhanced access to resources, such as diverse perspectives, broader skill sets, and new ideas, according to research we conducted in collaboration with *MIT Sloan Management Review*.

Eighty-three percent of digitally maturing companies in our survey reported that they use cross-functional teams, compared with 71% of developing companies on the digital maturity spectrum and 55% of early-stage organizations. The increasing reliance on cross-functional teams is associated with a decrease in the perception that organizational processes interfere with the organization's ability to be nimble.

Prior to the acute COVID-19 disruption, CarMax—the Richmond, Virginia, auto retailer—had embraced cross-functional teams so thoroughly that its technology organization has basically dispensed with traditional planning. Instead, CarMax expects innovations to bubble up through its product teams, says Shamim Mohammad, the company's chief information and technology officer. “If you think about how fast technology is changing and how fast customer expectations are changing, to deliver what the customers are looking for, you have to organize as cross-functional teams,” he says. “No single-function team can really deliver at the speed the customer is expecting.”

CarMax's product teams are small, typically seven to nine people. A team can pull in staffers from any pertinent function or department, but every team includes a product manager, a lead engineer or developer, and a user experience expert—roles Mohammad calls nonnegotiable.

CarMax executives provide teams with goals but not elaborate instructions. As Mohammad describes it: “We tell them what to achieve but not how. ... One of the benefits of the empowered teams is that we set the strategy, but we empower them to figure out how to get it done. Our teams experiment directly with customers and associates to test and learn, which enables us to build and deliver the capabilities they truly want and love.”

The value of this approach to empowerment is borne out in our research: Executives and managers at digitally maturing companies, compared with developing and early-stage ones, say these teams are more likely to have considerable autonomy regarding how to accomplish goals: 69% of digitally maturing companies report this higher level of autonomy, versus 53% of developing companies and 38% of early-stage firms.

Another important aspect of cross-functional teaming is that senior leaders create a supportive environment for their teams and evaluate them as a group. Our survey data shows that 73% of digitally maturing companies create an environment where cross-functional teams can succeed, compared with only 48% of developing companies and 29% of early-stage companies. As Mohammad says, “A reason our teams are thriving is because they know that the company has their backs and the company is providing them the support they need.”

Michael Arena, former chief talent officer at General Motors, cautions that while cross-functional teams are an important source of innovation at his former company and other digitally maturing ones, they're not a panacea. Operating via cross-functional teams poses new kinds of management challenges. More than half of our survey respondents cite problems with team alignment and an unsupportive culture as the biggest barriers facing cross-functional teams.

Also, as Arena notes, innovation is a process, it occurs in stages, and the proper approach varies. “For organizations to be adaptive,” he says, “the very first thing we need to do, especially as we're talking about org design and practices, is to ditch the one-size-fits-all mindset.”

Arena studies organizational network analysis and the impact of organizational design on innovation. He notes that cross-functional teams may be brought together to address one aspect of innovation (say, ideation), but team members may have a different role when it comes to other aspects of the innovation process (say, diffusion).

“It could be that, for six weeks, we're pulling people together for a specific purpose,” Arena explains. “They've got these milestones and, for six weeks, they're dedicated to getting something across the finish line and that's the design for that six-week interval. Then those team members are going back to their steady-state jobs where we're going to ask them to help diffuse this out across the broader organization.”

Another potential benefit to cross-functional teaming is the opportunity it provides to be more experimental. As companies face a novel business environment, they need opportunities to try new things to determine what works in that environment. Cross-functional teams allow the company to test and learn in the new environment to help find ways to respond.

The digitally resilient organization is one that is continually sensing, testing, and adapting to find its way forward in a turbulent business environment, requiring both technological tools and organizational capabilities to do so. At times, this necessitates unlearning practices and processes that were fundamental to the success of prior “versions” of the organization—just as how people work together is undergoing a fundamental shift that can better equip organizations to innovate in even the most challenging times. ●

 This is an abridged excerpt from *The Transformation Myth: Leading Your Organization Through Uncertain Times*, published by The MIT Press. Learn more at [mitpress.mit.edu/books/transformation-myth](https://mitpress.mit.edu/books/transformation-myth)

# Humanizing performance management

*Some research and insights have a short shelf life, while others continue to gain color and context. In each issue of Deloitte Insights Magazine, we look back on research we published and ideas we pitched, and evaluate whether they've stood the test of time.*

By **Timothy Murphy**

Director of research and insights for Deloitte's CMO Program



## What we said then

“Nonverbal information often trumps verbal content. In one experiment, subjects were asked to rate video recordings of participants reading various passages. ... Subjects who were asked to assess the feelings of the participants assigned up to 13 times more importance to the nonverbal over the verbal content.”<sup>1</sup>

*Avoiding the feedback monsters: Using behavioral insights to develop a strong feedback culture, Deloitte Insights, April 2017.*

## What we say now

Put simply, we often communicate more meaning to our team members in how we deliver the message rather than just what we say. Words matter, but the tone and other nonverbal cues speak volumes.

Consider that fact within the context of our heavily remote—or hybrid—work environment today, in which emails, IMs, and conference calls are our primary modes of communication. The research we shared four years ago was conducted over video, but even video calls now are fraught with complexity when it comes to nonverbal communication. (The fatigue is *real*.)<sup>2</sup>

So how do team leaders host meaningful performance management conversations in a world in which face-to-face interactions can be few and far between, and video calls often involve staring at a shy, fatigued, or tuned-out team member's headshot?

Make videoconferencing the exception rather than the rule. Using video less frequently can help your team members avoid videoconferencing fatigue, and can help you increase the impact and meaning of those video-based touch points when you use them, tapping into your entire arsenal of communication—that is, both verbal and nonverbal cues. And if you're in a hybrid work model, reserve those relatively rare in-person moments for one-on-one feedback sessions and check-ins with your team, rather than just spending that time in the office for business as usual. ●

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