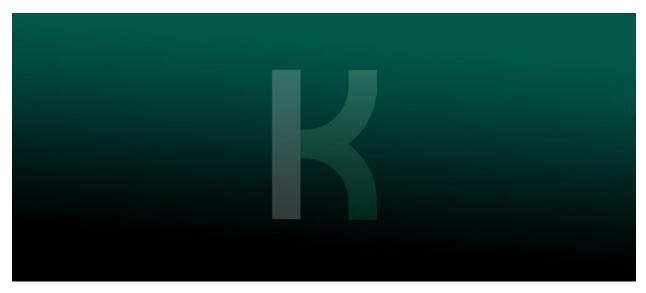# Using externally-oriented can prove a winning strategy

By Henrik Bresman , INSEAD

Good teams can often fail when it comes to innovation. That's the message from a new book by INSEAD Assistant Professor Henrik Bresman and MIT Professor Deborah Ancona. The reason such teams fail is not because of a lack of talent or they can't work together, but because they don't take into account external stakeholders and conditions.

"Good teams often fail because they don't work consistently and effectively outside their own boundaries," Bresman says.

"Yes, the team members look outside for information or help when they feel they really need it, but partly as a result of the internal model they're carrying around in their heads, they just don't see external activity as a central part of their mission, their mindset, their modus operandi."

The authors argue that this is why externally-focused or so-called 'X-teams' are needed. According to Bresman, X-teams "balance their internal activity with an equal commitment to external activity. They're different from traditional teams because they go outside from day one. They keep going

outside throughout their lifecycle. The actual balance between internal and external activity shifts as work requires but the external mindset is always there, always present."

"By being so externally focused, X-teams are far better able to identify the forces out there in the world and their own large organization that can affect their success. They're better able to identify emerging needs and opportunities they can exploit. They're better able to build connections to management and to other groups within their company to ensure their work is always seen as valuable and to ensure that they get the political, financial and other support that they need to support to succeed."

"By being so closely attuned to the external environment, X-teams are far less likely to make the classic mistakes other teams often make, like coming up with a solution to a problem that no longer exists, or that customers don't see as important, or getting themselves so out of sync with management that their work never actually gets implemented."

Connecting islands of expertise

Whereas internally-focused teams may be somewhat disconnected from their customers, X-teams are constantly 'scouting' the marketplace and for what their customers need. "It's not that 'traditional' teams do not go outside, they do but often it is when they need help, they go out as a last resort."

The authors say X-teams are built by connecting islands of expertise. Bresman says these teams "work very hard on making connections across groups within the large organization and they do that in several ways … They go out scouting for the latest information so that they can incorporate that into their team process. They also have to go out to work with political processes, what we call 'ambassadorial' activity. You go out to make sure you have buy in from the right managers and so on, so that your work is valued and implemented."

It's in part because organisations are working with relatively flat structures, that X-teams have emerged . "Now to say that organizations have flattened, that might sound like a fad, but it's arguably true and it's a response to innovation-driven competition that demands more in terms of a team's ability to absorb knowledge and so on. That doesn't mean though that X-teams cannot thrive in hierarchical organizations. It probably makes their work more difficult, but maybe it also means they're needed more in such an

organisation."

Bresman points to corporations such as Microsoft, BP, Merrill Lynch, Procter & Gamble and Southwest Airlines as examples of companies which have successfully used X-teams "because they work so hard at building linkages with other groups within their own large organization, X-teams also serve as a powerful tool for top management to create a culture of innovation across the wider organization."

Bresman and Ancona's book provides a toolkit for firms looking to create their own innovative X-teams. It outlines three elements – external activity, extreme execution and flexible phases – which form the principles by which X-teams guide themselves (see box).
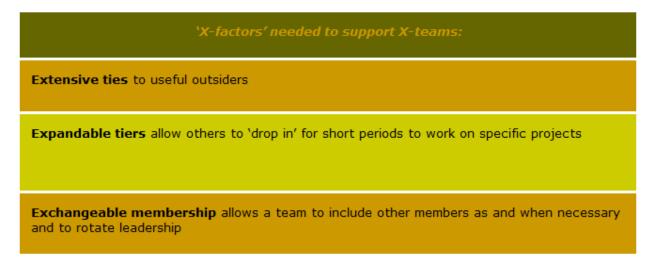
The X-team principles:	
1 High levels of external activity	Members go outside the team to create effective goals and plans
2 Extreme execution	The team develops internal processes enabling members to coordinate their work and execute effectively while at the same time carrying out external activity
3 Flexible phases	X-teams change processes over time to keep products moving along and deal with the demands of different phases of a particular task Flexibility is important as X-teams go through phases whereby they 'explore, exploit and export' in order to keep rolling out products. During the exploration or discovery phase, X-teams map out and make sense of issues. This phase not only involves 'scouting' but also the establishment of relationships with key individuals both inside and outside the organisation.

From trying to determine what's out there, the X-team will then turn ideas into reality, choosing an option and making it happen. This is the exploitation phase when the team decides what it wants to do and how it will organise itself.

The third phase is implementation or exportation. This involves creating enthusiasm within the team and the marketplace as well as getting feedback from top management and the customer.

How X-teams translate ideas into concrete action:		
1	**Exploration**	The discovery phase: • Map out the context, the issues, etc. • Get buy-in from top management
2	**Exploitation**	The design phase: • Choose one option • Engage in prototyping and search for best practices
3	**Exportation**	The diffusion phase: • Generate enthusiasm for product within the organisation or marketplace • Get feedback from top management and the customer

Although the three phases follow one another sequentially and are 'separate modes of activity', the book points out the 'process is not always so neat' in reality. Even so, the authors say, road maps of exploration, exploitation and exportation will help X-teams 'stay focused and shift gears as needed'.

'X-factors' needed to support X-teams:
Extensive ties to useful outsiders
Expandable tiers allow others to 'drop in' for short periods to work on specific projects
Exchangeable membership allows a team to include other members as and when necessary and to rotate leadership

"The really good news, is that you can train people to work effectively in X-teams," Bresman says. He adds they have coached X-teams as well as leaders and members of teams and they are now passing on their experiences to others.

But X-teams do require greater levels of coordination as they involve more people inside and outside the company. "But any organisation that confronts important, fast-moving knowledge, which spans the boundaries of the team that works in a flat organisation, will find these tools are very, very useful to get things done."

"I think what we're excited about is that this training works. We've seen it happen in a number of companies ... We've trained over 100 X-teams and it really works. That's why we think X-teams represent a potential revolution in the way companies mobilise their talent to lead, innovate, and succeed."

'X-Teams: How to Build Teams That Lead, Innovate, and Succeed' is published by Harvard Business School Press.

Find article at

https://knowledge.insead.edu/entrepreneurship/using-externally-oriented-can-prove-winning-strategy

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