



"Teambuilding and Corporate Performance— Does It Pay to Play?"

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Several months ago, Dave Blum and I were discussing the positive impact of teambuilding on organizations. I'm an organizational sociologist - I study how organizations work (or don't work), how people inside companies relate to each other, and how organizations themselves relate to other organizations. Dave claimed that teambuilding can improve a company's financial performance. Of course my response, as an academic, was, "But has this been measured? Where are the studies?" In the end, I was intrigued enough by the topic that I offered to research and write an article about it for a subsequent issue of his newsletter. Here, then, are the results of my research-from a sociologist's standpoint.

The Short Answer

The short answer to the question "Does teambuilding measurably improve corporate performance?" is, "It depends." "On what?" you ask. Well, that's part of the long answer! In brief, the research I've reviewed indicates that teambuilding by itself can provide **short-term** improvement, while the **long-term** benefits of teambuilding to corporate performance generally only attend upon management's commitment to broader changes in the corporate structure and culture.

Evidence - Short-Term Benefits

One of the difficulties I discovered in researching teambuilding and corporate performance is that, up until the 1990's, few people had directly studied the topic. In a rare report from 1989, Wolfe, et al. scrutinized the scant literature of the time and found that highly cohesive teams did seem to achieve better economic results than less-cohesive teams. No study to date, however, had shown teambuilding to have a significant impact on a company's financial performance. Fortunately, Wolfe et al. present their own study, in which they carefully test hypotheses directly related to teambuilding and economic performance.

The Wolfe Study

Wolfe et al.'s 1989 study observed teams of MBAs participating in a complex, interactive, business decision-making simulation. Performance in the simulation was assessed solely by financial metrics. Earlier studies had shown that increased team cohesion leads to improved economic performance. (Cohesion can be thought of as a measure of the relationship among the team members [Vinokur-Kaplan 1995:312].) Wolfe et al.'s approach was to subject participants to a teambuilding training aimed at increasing trust, cooperation, and cohesiveness among team members (1980:393). These aims were in fact achieved - the researchers write that participants in teams that had received teambuilding training were more open with each other and were better communicators than the teams that had not received the training.

The result? The researchers state: "Team building created initially more cohesive teams that obtained superior economic performance during the early stages... Their superiority was later challenged, but not surpassed, as several of the... untreated firms [teams] became more cohesive over their natural life course. ... Those not receiving the teambuilding effort obtained slightly lower overall economic results" (Wolfe et al. 1989:405). While Wolfe and his colleagues opine that the marginally higher results did not seem to be worth the time involved, they also note that "the quarterly performance of the 'untreated' teams [i.e., those that did not receive teambuilding] was far more variable, thus categorizing them as a less desirable investment risk"(ibid.).

What does all this mean? The Wolfe et al. study suggests that teambuilding training can provide short-term benefits. Higher cohesiveness, at least initially, improves team performance. Nevertheless, teambuilding by itself does not substantially increase long-term results. Somewhat dismaying, yes. But we're not done yet: Still to be examined is the role the organization plays in team performance.

Evidence – Long-Term Benefits

Enter Guzzo & Dickson (1996), who set about the task of reviewing the entire literature of performance and team effectiveness in organizational contexts. In their comprehensive review, they discuss researchers Macy & Izumi (1993), who themselves analyzed over 125 studies to understand the role of teams and organizational change. Macy & Izumi find that of all organizational interventions, those in the area of team development have the largest effect on measures of financial performance. Moreover, as Guzzo & Dickson (1996:324) report in their review of Macy & Izumi's analysis, "indicators of financial performance show the greatest improvements when multiple changes are simultaneously made in aspects of organizational structure, human resource management practices, and technology."

The intrepid Guzzo & Dickson (1996:326) also discuss research by sociologists Kalleberg & Moody (1994), which found that "organizations adopting sets of practices that included teams as an important element of organizational design tended to excel on several performance dimensions." Further, Guzzo & Dickson describe the research of

Levine & D'Andrea Tyson (1990:203), which asserts that "participation usually leads to small, short-run improvements in performance and sometimes leads to significant, long-lasting improvements in performance" (emphasis in the original). Levine & D'Andrea Tyson's conclusion: High-level employee participation "is the form most likely to result in significant, long-lasting increases in productivity, and work teams are the primary means by which [such] substantive participation is attained" (cited in Guzzo & Dickson, *ibid.*).

The Vinokur-Kaplan Study

An examination of this topic would not be complete without a visit with social scientist Diane Vinokur-Kaplan. Her research on interdisciplinary medical treatment found (1995:314) that the norm of "'permission' to influence other team members" in work planning and production was the antecedent to two very important variables, group interdependence and group collaboration. **Vinokur-Kaplan found that greater group interdependence and group collaboration contribute separately to increase overall performance.**

Interdependence describes a team's ability to depend upon (trust) each other and to do their work competently – the ability to "appreciate and use the expertise of other[s]" (Vinokur-Kaplan 1995:312). The researcher finds that the level of interdependence varies with the supportiveness of the organizational context. **Interdependence has its effect on performance through delivery of work product to specified standards.**

Collaboration is a group process that reflects a team's ability to work together in a participative fashion, each contributing equally - though differently, as befits their skills and knowledge - to the group's work product. **Collaboration has both a direct effect on improved performance measures, as well as an indirect effect on performance through the variable of group cohesion.**

The significant impact of both organizational context and group processes to performance outcomes prompts Vinokur-Kaplan to state that employees "need more than didactic training...; they also need to learn productive group strategies... and receive organizational support and consultation that facilitate the development and implementation of the team's product" (1995:323). She also cites Hackman (1990:9), who suggests that "those who create and lead work groups might most appropriately focus their efforts on the creation of conditions that support effective team performance [as opposed to] attempting to manage group behavior in real time."

Conclusion

So where does all this scholarly gobbledygook leave us? Essentially, the literature indicates that teambuilding can definitely help increase groups' performance. Whether this effect is sustainable, however, depends on whether the training is backed up by organizational support. When that's the case - when teambuilding is one of a number of

elements adopted to improve organizational performance - it can, in fact, greatly impact the company's bottom line over the long term.

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