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# Team Management for Better Performance that Sells to Customers: Aligning the Stars

Eungoo Kang\*, Hee-Joong Hwang\*\*

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## Abstract

**Purpose** - There are several problems that organizations face to make a better team-based system such as free-rider issue, assigned difficult jobs unfairly and bickering between high performers and average performers. The purpose of this study is to provide solutions for practitioners through past academic studies on how organizations can resolve several issues in team management. Ultimately, it would lead to employees as better performers for organization's profitability and customers' satisfaction.

**Research design, data, and methodology** - Solution 1 - put employees who have a similar performance ability together into a same team and apply 'growth' approach for low performance team. Solution 2 - make a new evaluation system which is balanced between individual's performance and team's performance. Solution 3 - monitor thoroughly to diffuse difficult works equally among teams and develop management practice system that may prevent or resolve difficult work-loads for a team or an individual performer.

**Result** - Investigation suggests that organizations may resolve three conflicts which come from team base system. Moreover, the implications of results show that the most important criteria in team management depend on whether performers have a similar ability in the same team and management handles issue of justice and the performance of each employee is evaluated by total team performance evaluation simultaneously.

**Conclusions** - All in all, our recommendation concludes that if three issues are resolved, the lack of trust in team-based system among team members will be missed.

**Keywords** : Team Management, Employee Performance, Distributive Justice.

**JEL Classifications** : D21, D23, M13, M14.

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## 1. Introduction

Some people may argue that it is difficult to measure on whether how much an employee contributes to its total team performance outcome regardless resolving solutions of the human resource expertise. However, we have a different thought. According to our investigation, there are various remedies to change from disadvantage situations to advantage situations in team system. After addressing of some past literatures of team system, we are going to illustrate several advices how can practitioners handle improper team compensation system.

There are several problems that organizations face to make a better team-based compensation system. Those problems can be mentioned by conflicts among performers and teams such as 'free-rider' issue, 'assigned difficult jobs unfairly' and 'bickering between high performers and average performers'. However, our investigation suggests that organizations could have resolved possibly those conflicts which come from its team-based compensation system and eventually, the implication of these results shows us that the most important things in team compensation management depend on whether that performers have a similar ability in same team and an issue of justice is been handling by management and the each individual employee's performance is evaluated with total team performance evaluation simultaneously. Finally, we recommend that if those issues are resolved, the distrust of team-based system among employees will be illogical.

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\* First Author, Doctoral student in Business Administration Program, Saint Mary's University of Minnesota, MN., US.

\*\* Corresponding Author, Professor, Department of International Trade, Korea National Open University, Seoul, Korea.  
Tel: +82-2-3668-4683, E-mail: ygodson@knou.ac.kr.

## 2. The Characteristics of Forming Team

On assembly lines, successive actions in various areas combining to complete a whole product are commonly referred to as teamwork (Hacker, 1998). However, teamwork in the modern day refers to a cooperative process between team members in order to make a profitable outcome for the business organization. Teamwork is a progression of improved performance of employees (Applebaum & Batt, 1994), productivity (Glassop, 2002) or organizational responsiveness and flexibility (Friedman & Casner-Lotto, 2002) that assures members of a team exponentially produce for the entire organization to achieve a profitable result (Scamati, 2001). Given this framework, common goals and defining a clear purpose can become the focus of team members (Fisher, Hunter, & Macrosson, 1997; Harris & Harris, 1996). The first issue will discuss two subjects: one, the pros and cons of organizing teams through managers, and two, how managers can overcome the aforementioned cons to establish a sustainable team.

## 3. Literature Review

Though many researchers assert that the usage of teams create several obvious benefits, disadvantages also exist. Identifying the most efficient approach in managing teams has been made challenging for managers by the confusing information supplied by past researchers. Past studies identify many advantages working in a team environment provides. In summary, they states that effective teams contribute more collaboration, communication, and organizational commitment to the whole organization. Resulting is significant time spent deliberating on critical issues and conflicts by team members, extending to opportunistically, openly sharing all team and organizational goal-related data (Fogg, 1994; Dyer, 1995).

The theory of creating advantages through the formation of a collaborative team is backed by another team of researchers (Brickly, Smith, & Zimmerman, 1997) By sharing data among team individuals by presenting a long gamut of ideas among the members, these researchers contend that teamwork would benefit an organization. Not only does this forge a well-developed idea for the team as a whole, but sharing ideas can be attributed to stimulating unique thinking.

That said, several researchers insist that forming a team provoke a number of issues to arise. According to studies, quality of performance is positively impacted in a team environment in several ways (Steiner, 1972; Harkins, 1987). One of these effects is causing a rise in employees' organizational commitment, motivation, and efficiency for the implementation of various decisions (Gladstein, 1994). However, with such positive effects aside, both literature and

practical experience indicate the existence of adverse consequences in team based systems, potentially creating a net disadvantage in a team's overall performance.

Free-riding, also called social loafing, is one of the crucial negative effects that comes from working in a team. This term refers to one or more team members of a group not contributing their fair share of overall team work that has an impact on the overall performance of the team (Brooks & Ammons, 2003). Contrasted to when people work individually or co-actively, free-riding could result in the loss of motivation and effort in team members when working collectively (Karau & Williams, 1995). Moreover, free-riding can also refer to a situation in which someone in a team wants to gain an advantage from the activities of other team members without doing their fair share of contribution to the team's overall performance riding (Stoebe, Diehl, & Abakoumkin, 1996). Many scholars contend that 'free-riding' in a team environment could be related to the equity theory—part of a distributive justice that can be clarified by rewarding employees based on their individual contributions (Cropanzana, Bowen, & Gilliland, 2007). With this association, 'free-riding' could directly influence the motivation of individuals in a team in terms of distributive justice among the members (Niehoff & Moorman, 1993).

Recognized by the study (Kirkman, Shapiro, Novelli Jr, & Brett, 1996), there have been several concerns about incentives brought up by employees working in a team based system. Working hard and not being correctly compensated for the proportionate effort exerted and overall effect an individual has had on the company is an example of such concerns associated with team based systems. Further, team members worry about group-based reward systems because this could negatively impact an individual's compensation if the team is not all working together in an efficient manner. In implementing a successful team system, Wellins, Wilson, Katz, Laughlin, and Day (1990) considers the issue of compensation to be one of the most influential concerns to consider. Concerns regarding equity, distributive justice, and/or a lack of motivation caused by 'free riding' in team based systems may be prompted by issues about differences in compensation between high and low performance employees. These views are shared by the study Meidinger, Rulliere, and Villeval (2003), which argues that organizing teams brings about a compensation issue, encouraging negative results from and among team members. They indicate working adequately in a team-based compensation system would be arduous for a team with individual members who vary in ability. Because individuals in a heterogeneous team tend to rely more heavily on teammates' behavior instead of the whole organization, Meidinger, Rulliere, and Villeval's research shows low degrees of cooperation among heterogeneous groups. In contrast, a higher rate of cooperation among team members with a greater share of the outcome will result when homeogenous abilities make up a team. Consequently, a

team without a clear goal for the incentives in place cannot bolster their overall productivity (Weiss, 1987). Supported and proven by many empirical researchers, group incentives not based on productivity have a high degree of failure possibility regarding the achievement of a firms' goal performance (Erev, Bornstein, & Galili, 1993; Nalbantian & Scholttter, 1997).

'Management's authority for a team-based system' is another issue in team formation that has been recognized by numerous experts. When a performance report is entirely based on management's decision making process, employees' individual outcomes are based upon a pay system. Because team assignments can induce worries related with the overall outcome, the aforementioned pay system can create issues for team members (Dyer, 1987). Largely due to procedural fairness reflecting a team member's position value within a team system, procedural justice researchers contend that members of organizations are concerned with the fairness of procedures which are governed or affected by management truly are (Lind & Tyler, 1988; Tyler & Lind, 1992).

According to Hackman (2007), authority that is entirely exerted in the team management process by team managers can ultimately result in fostering anxiety in team members. Managers and other team members must implicitly act together or at least in agreement to clarify who oversees the work because all involved could tend to feel uncomfortable in such circumstances. 'Authority,' in this case, is needed to establish equality through designating partial authority to a team in the whole work and not assigning authority in other areas. It is further contended by Hackman that managers would lose many benefits that come from working as a team if they exercise complete authority over a team and dictate detailed work procedures to team members. According to Wellins et al. (1990), a company strategy that emphasizes excessive and overbearing authority in the management can increase the risk of negative behaviors from subordinates, i.e., forgetting basics, putting a halt on innovation, and fostering risk aversion. Furthermore, his study argues that a team's decision-making process may be faulty if too much authority is afforded to the management, resulting in a focus tending towards financial issues.

#### 4. Solutions

According to many researches, we can provide some definite evidences which organizations can use for resolving of their company's improper team management. We would like to recommend that our solutions will be working properly for their companies.

**<Solution 1>** - Firstly, to be motivated every performer in

a team, organizations should (a) **keep small-size team** (It is better not to change the present team-size – 5 employees per team). And then, organizations should put performers who have (b) **a similar performance ability together into a same team to avoid that average performers look bad relatively than high performers**. After that, a team which is made up of low performance employees should take (c) **'growth'** approach (ex: training program) to achieve high performance as fast as they can. As a result, low performers' team can improve their performance ability in the long run perspective as much as high performance employees can. Moreover, this solution could also resolve **'free rider problem'** naturally.

Here are researches that we figured out as an evidence of our first solution.

(a) The concepts for bolstering team performance is summarized by Garbe (2008). It is recognized that the disadvantages of teamwork like the free-riding effect may outweigh the advantages, hampering good team performance if without a well-balanced incentive plan. Moreover, in terms of the effects of team size, Garbe observes increasingly large free-riding problems in bigger teams, thus relating larger teams with greater negative effects.

(b) Kim and Vikander (2013) proved through empirical evidence that homogeneous teams are designed to foster team member cooperation rather than free-riding. Contrastingly, the principal quits the attempt to monitor her heterogeneous team through contract offer because the objective is expected to be more difficult to achieve with agents varying in their abilities. After acceptance of the contract, most agents act as though they are in a bilateral relationship rather than the triadic, multi-agent relationship that is established. Rather than focusing on the principal's offer, agents focus more heavily on teammates' behavior in heterogeneous teams. Regardless of the degree of team-based compensation, in this scenario, much free-riding occurs within the team because agents are without the ability to coordinate with each other. Conversely, the contract offer is used as a coordination device by agents in homogeneous teams in an effort to attain greater efficiency.

(c) Cannon-Bowers and Salas (1997) discuss three factors, knowledge, skills, and attitudinal competencies, that address "growth" factors in team performance. To begin, it is explained that improvement in team performance is contingent on the correct combination and relative amounts of skills required to achieve the appropriate objectives. Knowledge, skills and attitudinal competencies were recognized as an extensive set of team growth competencies they identified. Ensuing a clarification of team purpose and translation of it into a set of objectives, the team can start pinpointing the essential specific skills and capabilities. A decomposition of objectives into goals and work products, processes, work breakdown structures, and sequences of individual tasks best achieves this. Through this manner, task-specific skill requirements can be

quantified to numbers of people or person-hours needed for each task. From here, the team can assess its composition with the baseline created. The addition of new members, further training of existing members, or external resourcing of tasks can fill in any knowledge, skill, or capability gaps.

**<Solution 2>** - Secondly, Organizations should make a new evaluation system which is balanced between (a) individual's performance and (b) team's performance to measure not only total team performance outcome but also each individual performer's outcome on how much a particular performer contributes to his or her team. As a result, this evaluation approach will provide (c) advantages in team compensation system and will not cause that anybody among team members is benefited from superior performers, which means that this compensation system can also resolve 'free-rider' problem naturally.

Here are researches that I figured out as an evidence of my second solution.

(a) It is recommended by Neusch (1994) for supervisors to use 'weight performance factors' to reinforce company strategy and to balance team and individual contribution when designing an effective compensation system that weighs the rewards of both the team and individuals. He contends that 30% of team weight and 70% of individual weight are the proper proportions for major performance factors.

(b) Cannon-Bowers and Salas's study is also recommended. Their paper explains a team's total performance, team effectiveness, and team growth and how to measure these factors.

This paper suggests that a team's total performance should be measured by "Product development cycle-time (time to market)", "Product/process quality (defect rate)" and "Customer satisfaction (product return rate)". This paper also suggest that effectiveness of team should be measured by "Concurrent engineering effectiveness", "Team meeting effectiveness through meeting effectiveness survey score", and "Schedule risk management through "Critical path buffer remaining (days)". Lastly, this paper suggests that a team's growth should be measured by "Improve effectiveness of gate reviews". For example, "Reduce time spent in meeting & follow-up" and "Baseline from historical gate review data"

(c) Further, past research was found that outlines the benefits of evaluation between an individual performer and a team. Discussing the advantages offered by both individual and team performance, Zigon (2008) illustrates why team performance measures must be considered equally in measuring individual member performance.

1. Those nurtured in a North American culture carry expectations to be evaluated both on an individual and team basis. These individuals desire to be recognized for their individual work while remaining comfortable with evaluation on objectives only teams could accomplish.

2. Performance evaluation systems are usually individual-based even in cultures without as much individualism prevalence. By assessing both individual and team performance, a potential transition to team-based evaluation can become smoother.

3. Individual performance data affords information through which individuals who are not supporting the team well enough can be coached to improve their contributions. If there is no such data, discussions regarding performance can devolve into conflicts of personality and lose a professional atmosphere.

4. Lastly, individual performance evaluation produces data that identifies and rewards exceptional individuals who are forgotten on "losing" teams. Without his individual contributions recognized aside from his team's performance, a Michael Jordan may exit a professional basketball team.

**<Solution 3>** - Thirdly, organizations should try and monitor thoroughly to (a) diffuse difficult works equally among teams first because this issue is related with 'justice' in team management. Furthermore, they should (b) identify what circumstances is possible to make work-load situations and develop (c) management practice system just in case that may prevent or resolve difficult work-loads for a team or an individual performer who difficult installation processes are diffused unfairly. As a result, a general feeling that several teams were routinely assigned difficult jobs will be missing among all performers.

Here are researches that I figured out as an evidence of my third solution.

(a) Hunt (1977) already discussed issues of the justice for a long time ago, pointing out a justice principle which is the one of the most important facts in the process of team management. This paper insists that organizations should ensure mutual responsibility and balanced-workload by distributing individual goal across multiple team members.

This paper also mentions that this principle may help the team to keep track of main details of its measurement system and provide a quick mentioning for planning team meetings and communications.

(b) Lardner, Amati, and Briner (2002) answered the following question "How can we tell if workload is excessive or may become so at some future point?". They suggest that if employees frequently report the following types of problem, it is possible that workload is inordinate: "Fatigue and tiredness", "Excessive overtime working", "Working longer than contracted hours for extended periods", "A sense of being overwhelmed", "Constant worry about meeting deadlines", "Failing to meet deadlines".

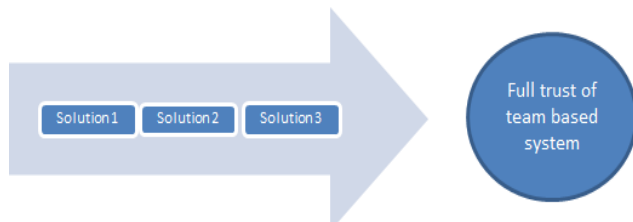
This paper also points out that serious workload may cause problems in the future if additional workers are not added immediately in the work-loaded place and existing workload is not reduced. There will be more damaged if new products and services are provided and there are

increases in demand for existing products and services

(c) Lardner et al. (2002) suggest practical steps that may help or prevent serious workload problems to help organizations who wish to resolve workload problems causing stress, now or in the future. They insist that senior management should respond to excessive works which are reported by line managers and new works should be checked by available employees to prevent excessive work problems. They also point out that mechanisms should be considered with possible impact which comes from "Internal organizational change or change to the external environment on the workload of the organization" and examined whether added works are necessary or not.

## 5. Summary of Our Model

The following summary figure of our solution model is to give some pieces of advice for organizations who are suffering from their team management.



<Figure 1> Summary research model

Solution 1 – **(a) keep small-size team, (b) put employees who have a similar performance ability together into a same team, and (c) apply 'growth' approach for low performance team.**

Solution 2 – **make a new evaluation system which is balanced between (a) individual's performance and (b) team's performance. As a result, (c) several advantages will show up.**

Solution 3 - monitor thoroughly to **(a) diffuse difficult works equally among teams. Furthermore, (b) identify what circumstances is possible to make work-load situations** and develop **(c) management practice** system that may prevent or resolve difficult work-loads for a team or an individual performer.

If organizations put those three solutions, all employees will agree with which team-based system will be work for them.

## 6. Conclusion

The present study provides three solutions using many past literatures on how organizations can handle problems which emerge from team system conflicts. There are several problems that organizations face to make a better team-based compensation system. Those problems can be mentioned by conflicts among performers and teams such as 'free-rider' issue, 'assigned difficult jobs unfairly' and 'bickering between high performers and average performers'. According to the investigation the present study concludes that organizations can fix these problems through our three groups of solutions. All in all, our recommendation suggests that if organizations bring these solutions on their tables to replace their policies in terms of team management, the distrust of team-based system will be missed.

Due to a limitation that we could not recognize how much longer our recommendation can keep working effectively in team process, we mention very carefully that our recommendation could not be working by depending on application of time length. As a result, further research must investigate on the light of considering the impact on whether how time-length affects team and individual performance.

Finally, we advocate a configurational three solutions for companies seeking better team-based performance and encourage they should follow these solutions. Next stage for this study might empirically test these solutions among various industries to be more generalizable.

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