THE 7TH EDITION OF THE INTERNATIONAL CONFERENCE
EUROPEAN INTEGRATION
REALITIES AND PERSPECTIVES

Cross-functional Teams and their
Role in Increasing Competitiveness of the Organizational Partnerships

Laura Dinca[1], Carmen Voinescu[2]

Abstract: In this paper we review the role of the cross-functional teams for increasing competitiveness of the various organizational partnerships. The present complexity of the international business environment, the high competition and the economic globalization push many organizations to seek for new organizational partnerships, in order to faster reach their goals. Such organizational partnerships may be the networks of enterprises and clusters. For both of them, the main factor to increase competitiveness is the cross-functional teams (CFT) and their effective team work. Through communication and mutual understanding, the CFT can overcome barriers between member entities and lead to better economic parameters. The main employed method was a survey of the management literature about CFT. The result is a clear presentation of the CFT and of their effective work manner to reach a competitive level for various organizational partnerships.

Keywords: cross-functional teams; competitiveness; effectiveness; network

JEL Classification: M21

1   Introduction

Generally speaking a company is being competitive when it manages to produce high quality goods and services at a lower price than its competitors. Competitiveness may be also defined as the possibility to get performances after being present on the market (Gavrila & Gavrila, 2008). But giving the nowadays economic complexity, many organizations are moving to a new organizational model, such as various partnerships, networks of enterprises or clusters in order to reach their purpose faster by putting together their capital and skills. "In a globalizing economy, competitiveness means information and know-how rather than capital and physical assets (Nedelea & Paun, 2009). The more an organization develops the skills and knowledge of employees, the higher is its capability to face the market.

When a knowledge based economy is being developed, a process of revision the internal organization of the enterprises takes place, which is not any more based on Taylor pattern (Dan, 2007).

Factors that have promoted organizational partnerships can be divided into two categories: motivators and facilitators (Baker, 2002). Among motivating factors, the most important are: pressure to access know-how and promote new knowledge and learning, coping with greater competition, obtaining complementary competencies, managing risk, improving flexibility and complex adaptation. As facilitating factors, the following can be mentioned: organizational position and reputation, trust, communication technology and the internet, government and regulatory context.

Networks of enterprises and clusters are created because they facilitate the common use of their resources, but the dissemination and transferability of the final results too. They include various

---

[1]PhD Candidate, University of Craiova, Faculty of Economics and Business Administration, Department of Management-Marketing, Address: 13, AI Cuza Street, Craiova, Romania, +40 723 330961, Corresponding author: laura2dinca@yahoo.com

[2]PhD Candidate, University of Craiova, Address: 13, AI Cuza Street, Craiova, Romania, e-mail: carmen_clapan@yahoo.com

entities and geographical areas, companies with various objects of activity; their relations are at the same time of competition and cooperation. For many decades, organizations have been giving higher priority on managing the external environment by building stronger relationships with customers and suppliers. These relationships can, but do not always reach the level of organizational partnerships. Recently, organizations have moved beyond customer/supplier relationships to begin to establish alliances with their competitors (Mariotti, 1996).

Both network of enterprises on the one hand and clusters on the other hand have a reticular structure, they are pure networks after all. While network of enterprises is a homogenous concept, the concept of cluster is a heterogeneous one. The difference is that clusters include, besides companies, universities and research institutes in their structures.

It's important to note that various names were used to designate a network organization, such as: alliance capitalism, agile enterprise, cluster organization, joint venture, meta-corporation, modular corporation, moebius strip organization, organic organization, small firm network, value-adding partnership, virtual corporation (Alstyne, 1997).

The network is seen as a structure that answers in the best way to the exigency of a competitive environment, it's a manner to respond at the challenges created by the exponential rhythm of the technological changes. "To form a business network with the purpose to obtain a global competitiveness seems to be the basis of strategic decisions in many companies today" (Lakhal et al., 1999).

Regardless of their names, the competitive working of networks implies the harmonious coexistence of CFT.

2 Concept of CFT

A crossfunctional team is a team formed of at least three members that belong to different functional entities that are working together to reach a common goal. These members have various functional skills and experience, and they come from different sections within the organization. More concrete "Cross-functional teams groups consists of members of different functional areas, (…) such as engineering, manufacturing or marketing. The cross-functional makeup provides the advantages of multiple sources of information and perspectives." (Keller, 2001)

Another approach mentions CFT as a group of people with a clear purpose, representing a variety of functions or disciplines in the organization whose combined efforts are necessary for achieving the team's purpose.

The need for CFT is more and more frequent. Today's companies or corporations have entered a new business age with rapidly changing technologies and markets. Thus companies are obliged to work respecting shorter and shorter dead-lines and error-free.

To be able to understand teamwork, it is important to make the distinction between a group and a team. On the one hand, a *group* is only a collection of individuals who are brought together for some specified purpose. A *team*, on the other hand, is a collection of individuals that have a common goal and as a whole define, formulate, and agree upon their own purpose, and then works according to that purpose. Groups are based on the sum of the individual efforts to accomplish tasks, where as, teams collectively work together to fulfill common assignments. Teams are using collaboration and communication as well as the constructive conflict. Members of one team also develop mutual responsibility for the success or failure of the team's endeavor.

Within networks of enterprises or clusters, team member have different professions, so that all the necessary knowledge and skills to produce a whole output are represented. They are frequently responsible for producing key products or services. Their business directives, common goals, and joint accountability tie them together into a cohesive unit. They usually sit together and report to the same boss (Katzenbach & Smith, 1993).

454

People from a team must first share the same values and goals which determine them to agree upon the teams' purpose or mission. They must be dedicated to the team's purpose or mission and work to fulfill it. Certain team members could be hired part time and might show an obvious commitment to their initial departments where they exert their function. Other team members are being recognized as experts and enjoy the prestige associated to them. Another part of the team members may consider they have to keep their trade secrets just to preserve the security for their jobs. All of these circumstances can adversely influence the integrity of a team.

When they work together as a team, the team members accepted the decisions, mission, goals and possible problems within the team. Since the team members are coming from various functional entities and have many interpretations or solutions for the deployment of joint work process, it's normal that conflicts appear within the team. Many discussions might take place in order to find the best conflict resolution. But it is highly important that conflicts be solved in a constructive useful manner. CFT may be considered bridges to success, because the whole is more effective than the amount of parts. CFT make an exchange of ideas and for sure show an improved creativity.

For the CFT to be effective, some internal and external factors are required. As internal factors the following can be mentioned: communication, leadership, conflict resolution, while as external factors the most important are rewards, support and delegation of powers. To be able to reach their mission, the CFT members need time to know each other and to work together, they need to understand their tasks, they need a motivation to mobilize themselves to reach the common goal, and they need to avoid conflicts, which is very often difficult to be achieved.

All partnerships that use CFT need to foreseen teamwork training in their organizations, so that to enable CFT members to work together with the lowest conflict and no confusion of direction. For this, CFT members must have a clear picture of their tasks and role within the team. By taking specialized training, they have the possibility to very well understand all the rules for successful teams. Knowing these, they can adjust their behavior in order to become a real productive CFT member. Training sessions can also play a role of the ice breaking facilitating the mutual interaction and knowledge between team members.

The duration of the CFT within a partnership may be temporary and permanent, depending on the willingness to work together for more than one project, shown by the managers of the member entities.

Within the CFT, we assist to a change of the team leader traditional role. This leader does not give orders or assign task, on the contrary he acts as a team member by asking the others to get involved in the decision making process. The leader checks the evolution of tasks fulfilled by the team members, encourage their performance and makes sure if the on going activity respect the initial plan. At the same time, the leader is the key element in communication with suppliers, managers and other stakeholders. Overall, he or she keeps a definite vision of how to reach the final goal and lead activities to get it.

It is important to note that the role of the cross-functional team in using the expertise of many different people is coupled with the task of enlisting support for the work of the team. This is critical for successful cross-functional teamwork (Parker, 2003).

3 Competitive Advantage of the CFT

CFT and their existence within organizational partnerships signify the main factor to obtain a competitive advantage in today world business, characterized by high technology and unstable markets. But efforts for training are required in order to have effective CFT, they do not happen without special preparation. An organizational partnership cannot just put together team members from various professionals entities and ask them to work effectively. Effective teams are obtained through a special commitment to the values and purposes of the organization and through a developed skill to adjust one to each other. This kind of skill is only obtained by training. "CFT have to be well informed and highly trained through involvement and education before they can work together

effectively" (Mohamed et al., 2004). It's important that CFT members to mobilize all their resources and competences in order to contribute to the decision making process.

At the same time, it's important that the effort of adjusting to the organization values to be done in a rapid manner. Although almost all networks today use CFT, there is a difference between those that have successful CFT and those that do not have. As Peter Senge (cited by Woodward, 2012) used to say "The only significant competitive advantage is your organization's ability to learn faster than the competition". The content of the training delivered to CFT includes the best practices consecrated in that specific field.

Since we are living in this information age, it is more and more obvious that "the competitive advantage can be purchased with the currency of knowledge" (Foss, 1996). All successful companies give a high importance to learning activities and spread knowledge both at the general level, but at the individual level too. They also invest in technical endowment and competitive employees, while developing tools and methods to support them (Conner & Prahalad, 1996).

One of these methods is even CFT, whose existence changed the traditional organization and also the working relationships within a network. In the cross-functional organisation, information circulate in a different way comparing with the traditional organization. Thus it doesn't pass through hierarchical channels, but between departments and functions. The activities in the cross-functional organizations are customer-oriented, and no task or skill-based logic, as traditionally (El Amrani et al., 2003).

The CFT bring six important competitive advantages to organizations that successfully implement and manage them: speed, complexity, customer focus, creativity, organizational learning, and single point of contact (Parker, 2003). Thus speed of action is important – CFT with a clear mission and vision must respect the schedule, involve the best specialists, use the whole team, so to reach their goal as soon as possible. Complexity and creativity are well connected with the leader of the team – this has to encourage new ideas, to have a free approach of solutions, beyond traditional borders, to be able to take risks, to promote innovation, to possess the best communication skills, to be very open to initiatives of the team. The role of leaders is crucial; it's up to them to create and develop teams within one organization. "Without leaders and teams, your organization is a dinosaur to go extinct" (Woodward, 2012).

The new generation of leaders needs to possess the skills to work with groups, to ask questions that stimulates production of new ideas, to encourage constructive discussions, rephrasing talks, to communicate in the greatest manner. The new leaders "can obtain technical, scientific, flexible resources, make conflict resolution, have good relations with stakeholders, business knowledge, can set goals, exercise co-leadership, facilitation and support (Parker, 2003).

Any CFT must be customer focused, meaning to have a clear picture of what its needs are, to involve it in satisfying its wishes. Organizational learning means both individual and general use of the best practices and sharing work experience. Finally, any CFT must have a single point of contact within the team and outside it.

We notice the importance of learning within networks or various organizational partnerships. It's important this learn faster, as market competition is very strong and all companies are tempted to use the newest management methods and technologies. The difference is given by the manner in which ideas are being implemented by the networks, and not only by the new ideas themselves. Without the skill of learning very fast, the rapidly changing business environment will reduce the network's capacity to be competitive on the market. This is the main advantage of one organization over another. Within an organization, the high learning atmosphere must be supported by its leaders, so thus learning organizations are happy to be confronted with change; their usual manner of working is struggling with improvement. On the contrary, within the non-learning organization, creativity is restricted; barriers to new approaches are being built by the leaders, so that their potential to be competitive on the market is being more and more reduced. This kind of organizations does not use their most precious resource – employees and their ideas.

CFT learn by using various methods: some members make an accurate observation of their colleagues, or are getting more and more involved in problem solving, others transfer knowledge from one to another, or use intensively their previous experience and adjust is to the new reality.

Forming one CFT and getting its effective work-manner is quite difficult to be done and also rare. It is difficult, because people are proud, but vulnerable, are suspicious, do not like working together, ask for recognition especially in high competitive companies, where mistakes are generally very rare. But when these barriers are overtaken, it's great for that organization. In his book "The five dysfunctions of a team", Patrick Lencioni mentions the five functions of a great team: building trust, mastering conflict, achieving commitment, embracing accountability, focusing on results (Lencioni, 2002). Out of these, building trust is the most important. "Trust is the foundation of effective team collaboration. If members do not feel safe in a group, they will watch for signs of betrayal or disrespect, overreact to threats, become argumentative when they feel slighted, and take feedback too personally. They may withdraw, or they may overcompensate by dominating the group or positioning for recognition" (Lencioni, 2002).

Another way to form effective CFT is using the tacit knowledge. The word "knowledge" can be explained by using "information". Explicit and tacit knowledge coexist within a team. While explicit knowledge means that information that can be easily decoded, tacit knowledge means information that is not easily to be detected and conveyed. "An understanding of tacit knowledge by team leaders can greatly enhance the effectiveness of individual interactions and improve the synergy of teams" (Sherman & Lacey, 1999). In order to take advantage of the tacit knowledge, it has to be transformed into new knowledge by using teambuilding techniques. Thus the new knowledge is being transformed into a source of the competitive advantage for a company.

4   Limitations of CFT

Nowadays, giving the complexity of any organization manner in various companies, larger or smaller, we attend a double manifestation of CFT. On the one hand, CFT are very effective and have already been recognised as sources to obtain competitive advantages. On the other hand, CFT show certain limitations of their work manner within a company. Some specialists say that the most CFT are dysfunctional, but most companies aren't aware of this problem. Stanford University achieved a study of 95 teams in 25 organizations and found that near 75% of CFT are dysfunctional. It's important to mention that the teams have been studied by a panel formed of consultants, academics, and industry experts. The irony is that CFT are the arteries of an organization.

The specialists' panel identified 3 categories of dysfunctions: governance issues, cross-functional functional issues, and cross-functional boundaries issues (Tabrizi, 2010). Governance issues refer at issues exerted by the top management of the companies that may over control the CFT, by budgets, bottlenecks, lack of accountability. Among cross-functional functional issues we mention the relation of each team member with his/her function and functional conflicts. For instance when deciding to form a CFT, the managers may not want to assign the most competent employees, and prefer to keep them in the basic department. Instead of them, they assign people with lower competence as members of the CFT. Cross-functional boundaries issues mean problems that happen when a CFT deals with horizontal boundaries, such as interfaces with other departments or teams, clients, suppliers and various other organizations.

Other specialists state that CFT may become isolated from the rest of organization, this affecting both the CFT and the rest of the employees. "Team members naturally focus inward, concentrating on team goals, and connecting with team mates" (McDermott, 1999). Isolation can lead to team myopia. That means that CFT members, since working as an isolated group, show restriction to any idea coming from outside, thus blocking their creativity.

5   Outputs

The outputs of this paper refer at applying CFT in various organizations. Being applied in many top companies from the USA and Western Europe (i.e. PepsiCola, FranceTelecom) and being more and more used, the concept of CFT proved its sustainability. First it is obvious that CFT are appropriate to the new manner of organization of companies and they harmonize with a more and more complex business environment. CFT are the source for obtaining the competitive advantages by the companies.

At the same time, the concept of CFT has some limitations, too! For instance the study made by the Stanford University on 95 teams from 25 organizations, mentioned earlier, states that 75% of the CFT are dysfunctional. The main way to show CFT as dysfunctional teams is the presence of a conflict. The conflicts arise within the CFT and they need various methods to be worked out. Pretty often, people are not satisfied within the CFT, since they feel frustration and they feel barriers in using their full potential.

However, even if this contrast between team members' dissatisfaction and the general efficiency of CFT is obvious, the general specialists'opinion is that CFT are main factors for companies to obtain long-term profitability.

6   Conclusions

The necessity of CFT within the various organizational partnerships is the normal consequence of the evolution of business environment. The faster it evolves, the more imperative CFT are asked to be founded.

The study of the CFT's work manner is very important to be able to identify the most effective way of people working together within the CFT. The correlation between the team harmony and the profitability of a network is a direct one.

The approaches about CFT are very complex, starting with the projecting the team and going on with training, leadership and its efficiency. The majority of specialists consider training and quality of the leaders as the most important factors to achieve the competitive advantage by the networks using CFT, since they influence the behaviour of people. Only when the cohesion within the CFT is obtained, the competitiveness of a network is ensured.

7   References

Alstyne, M. V. (1997). The State of Network Organization. *Journal of Organizational Computing*, Vol.7, No. 3, pp. 88-151.

Baker, K. A. (2002). Web page. Retrieved from   http://www.au.af.mil/au/awc/awcgate/doe/benchmark/ch09.pdf, date: 06.08.02

Conner, K. R. & Prahalad, C. K. (1996). Resource based theory of the firm: Knowledge versus opportunism. *Organization Science, 5,* pp. 477-501.

Dan, V. (2007). Networks of Enterprises – sources for increasing competitiveness. *Journal of Industrial Economics*, Vol.1, issue 4, p.78.

El Amrany, R. & Rowe, F. & Bidan, M. & GGeoffrey, B. M. & Marciniak, R. (2003). ERP implementation and change: towards a cross-functional view. *11th ECIS (European Council of International Schools*), Naples, Italy, June 2003.

Foss, N. J. (1996). Knowledge-based approaches to the theory of the firm: Some critical comments. *Organization Science*, Vol.7, pp.470-476.

Gavrila, I. & Gavrila, T. (2008). *Competitivitate si mediu concurential: Promovarea si protejarea concurentei in UE/ Competitiveness and Competitive Environment: Promotion and protection of competitiveness in the EU*. Bucharest: Economica

Katzenbach, J. & Smith, D. (2003). *The Wisdom of Teams*, Boston: Harvard Business School Press.

Keller, R. T. (2001). Cross-functional Project Groups in Research and New Product Development: Diversity, Communication, Job Stress and Outcomes. *Academy of Management Journal*, Vol. 44, No.3, pp. 547-555.

Lakhal, S. & Martel, A. & Oral, M. & Montreuil, B. (1999). Network Companies and Competitiveness: A Framework for Analysis. *European Journal of Operational Research*, Vol. 118, Issue 2, p. 278.

Lencioni, P. (2002). The Five Dysfunctions of a Team. Published by Jossey Bass, A Wiley Imprint, 989 Market street, San Francisco, California, www.josseybass.com.

Mariotti, J. (1996). *The Power of Partnerships. The Next Step Beyond TQM, Reengineering, and Lean Production*. Cambridge: Blackwell Business.

McDermott, R. (1999). Learning Across Teams: The Role of Communities of Practice in Team Organizations. *Knowledge Management Review*, May/June1999.

Mirghani, M. & Stankosky, M. & Murray, A. (2004). Applying Knowledge Management Principles to Increase Cross-functional Team Performance. *Journal of Knowledge Management*, Vol. 8, No.3, pp. 127-142.

Nedelea, S. & Paun, L. A. (2009). Competitiveness in the Knowledge-Based Economy. *Review of International Comparative Management*, Vol. 10, Issue 4, October 2009, pp. 745-754.

Parker, G. (2003). Cross Functional Teams: Working with Allies, Enemies and Other Strangers. Published by Jossey Bass, A Wiley Imprint, 989 Market street, San Francisco, California, www.josseybass.com, pp. 4-15.

Sherman, W. S. & Lacey, M. Y. (1999). Utilize tacit knowledge for innovation and problem-solving through effective team leadership. *Graziadio Business Review*, Vol. 2, No. 4, Retrieved from http://gbr.pepperdine.edu/2010/08/teambuilding-for-competitive-advantage/

Tabrizi, B. (2010). *Stanford Advanced Project Management Program*. Web page. Retrieved from http://stanford-online.stanford.edu/webinars/100721apm.pdf, 2010.

Woodward, O. (2012). Web page. Retrieved from http://team_orrin_woodward.typepad.com/orrin_woodward/2012/02/a-teams-competitive-advantage.html, date: 23.02.2012.