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Go, teams: When teams get healthier, the whole organization benefits

Creating effective teams depends on multiple factors, including high levels of trust and communication, and understanding team context. A new approach helps elevate performance and create value.

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Today, more than ever, cracking the code of team effectiveness is critical to organizational success. At most companies, teams generate value as a primary unit of performance. They are now more autonomous and empowered than in traditional organizational models, while also being part of a dynamic and collaborative structure across a team ecosystem. Yet, many teams struggle to collaborate effectively, and some are worse off than that: research shows that three in four cross-functional teams underperform when it comes to key metrics.[1]

Team success or failure is often attributed to individuals—particularly the team leader—as the main driver of performance, or to some nebulous sense of team "chemistry." As with most things, hope is not a strategy. And while upskilling team leaders is helpful, it is not sufficient to ensure performance. The myths of team chemistry (teams just click or they don't) and the heroic team leader[2] (find a capable leader and the team thrives) prevent companies from addressing the harder-to-see contextual and structural factors that affect team dynamics and organizational outcomes.[3]

[1] Behnam Tabrizi, "75% of cross-functional teams are dysfunctional," *Harvard Business Review*, June 23, 2015.

[2] Carsten Tams, "Bye-bye, heroic leadership. Here comes shared leadership," Forbes, September 10, 2019.

[3] Anton Obholzer and Vega Zagier Roberts, *The Unconscious at Work: A Tavistock Approach to Making Sense of Organizational Life*, second edition, London, England: Routledge, 2019; Manfred Kets de Vries and Elisabet Engellau, "A clinical approach to the dynamics of leadership and executive transformation," *Handbook of Leadership Theory and Practice*, 2010.

When organizations do address team effectiveness, they often focus primarily on senior leadership teams. This is understandable, considering that companies are almost twice as likely to have above-median financial performance when their top team has a shared and meaningful vision.

We agree that leaders should focus on teams at the top, but not only at the top: critical cross-functional initiatives that sit in the middle of the organization need more support to succeed. Companies now rely on value-creating agile teams, project teams, and networks of teams, among others. Teams that are closest to customers also bring in much-needed information about how the organization should orient itself in the marketplace.

How can leaders support teams at all levels to augment value creation? The first step is to understand that while building great teams involves leadership experience and intuition, sometimes that intuition can be wrong. In this article, we use new data to debunk common myths about how teams operate and examine the elements of team effectiveness that have the biggest impact on performance. We also delve into team archetypes and how context determines whether certain behaviors matter more for better functioning. Building effective teams across the organization is a crucial move for leaders as they prepare for the challenges ahead.

Team effectiveness is less art, more science

Hunches and intuition about why teams perform well or poorly abound at organizations. Here are several myths that our new research has debunked.

Myth: Teams should ideally be stacked with top talent in every role to achieve maximum effectiveness.

Reality: Effective teams focus on the individual and collective skills and behaviors that matter most, and every role needs fit-for-purpose talent, not necessarily "top" talent.

A team made up of "superstars" does not inherently make a great team—in fact, it may lead to worse performance. Although individual performance does matter, it's not enough for each person to perform at their personal best. The dynamics of how those individuals interact are equally (if not more) important—they make the difference between operating as an individual team and operating as a team of individuals.

The US men's Olympic 4x100 meter relay team is a great example. Despite including some of the fastest individuals on the planet, this team has had trouble passing the baton at multiple Olympics since 2008—leading to the team's underperformance and even disqualification at the 2024 Olympic Games.[4]

Unlike other teams that lock in their runners for each leg well before the Olympics and focus extensively on practicing as a team, the US team often made last-minute changes to get the best individual performers in the most crucial roles. This approach left little time for the team to practice together in their respective positions, highlighting that individual talent alone cannot substitute for cohesive teamwork.

[4] Mookie Alexander, "Team USA had another disaster in men's 4x100 relay in 2024 Paris Olympics," SB Nation, August 9, 2024.

About the research

We investigated 14 annual literature reviews and more than 140 published documents on the topic of effective teaming, resulting in our research-backed framework that outlines the drivers of team effectiveness. Based on our research, we established the Team Effectiveness Index (TEI), which was tested and refined through two rounds of pilot studies. The final diagnostic has been deployed with 110 teams over more than two years, representing 905 individual team members across 42 countries, the majority of whom originate from the United States (32.6 percent of team members). These teams varied in size, geography, hierarchy, nature of work, life cycle, and context.

There is a growing body of scientific evidence behind team effectiveness,[5] which we define as the collective capacity to sustainably deliver results. But many organizations tend to make financial and time investments that address surface-level manifestations of ineffectiveness while leaving the root causes unresolved.

Our research shows that variations in team behaviors matter for performance: teams that exhibit the right behaviors are more productive and innovative and deliver better results to stakeholders. We identified 17 specific team behaviors, which we call "health drivers," that matter for team performance (see sidebar, "About the research").

These team health drivers are grouped into four core areas: *configuration* (the team has clear roles and a mix of perspectives); *alignment* (team members are clear on the team's direction and are committed to it); *execution* (how well the team carries out its work); and *renewal* (the team's working environment is set up for long-term sustainability). All four of these categories provide a well-rounded view of the team and reflect on whether team members work effectively together—not just in the near term but over the long haul (table).

These team health drivers, when viewed collectively, explain between 69 and 76 percent of the differences between low- and high-performing teams when it comes to three key outcomes: *efficiency* (the team is productive and meets its deadlines); *results* (the team delivers on objectives and delights stakeholders, customers, and/or clients); and *innovation* (the team innovates in a way that is critical to long-term organizational value).

While all these health drivers contribute to team performance, teams do not have to be great at all of them to be effective; in fact, even the best teams have room for improvement. The research found well-performing teams were, on average, very good at only 11 of these 17 behaviors.[6]

[5] John E. Mathieu et al., "Embracing complexity: Reviewing the past decade of team effectiveness research," *Annual Review of Organizational Psychology and Organizational Behavior*, 2019, Volume 6.

[6] Teams were classified as "well performing" if their average performance score fell in the top quartile. They were considered "very good" at a behavior if their health driver score fell in the top quartile.

Table

Team effectiveness is based on multiple health drivers in four areas that define how well teams work together.

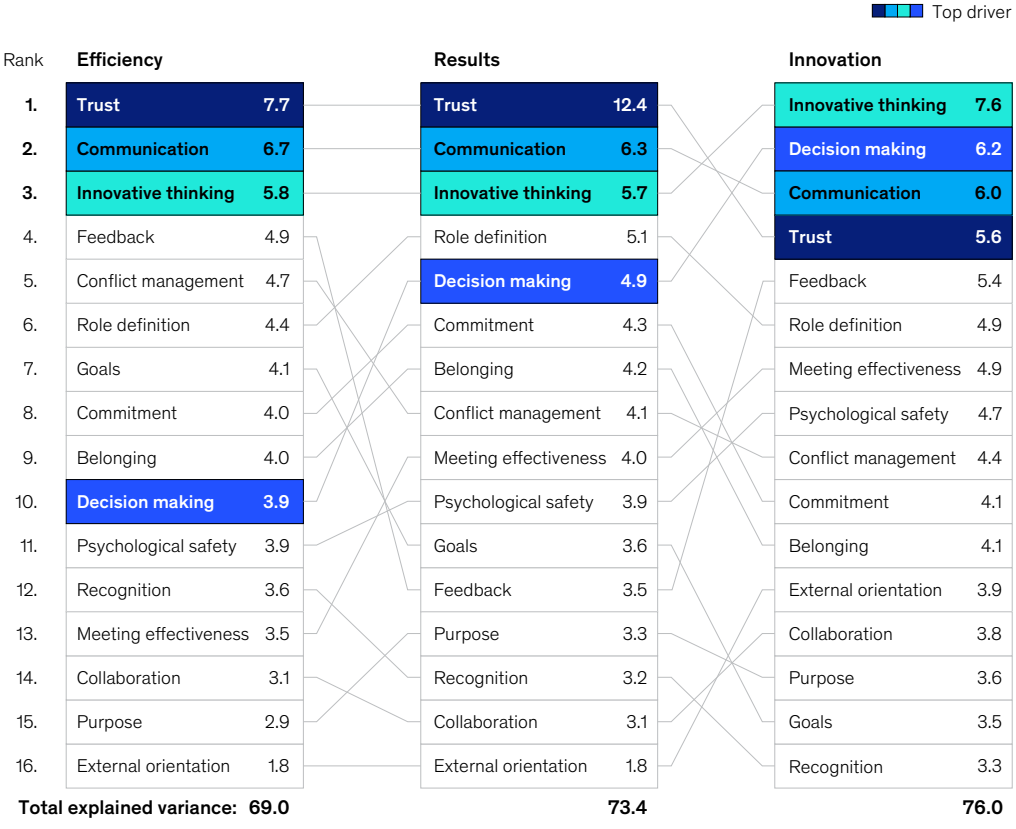
Four areas	Health driver	The degree to which team members …
Configuration *Do we have role clarity and the necessary mix of internal and external perspectives?*	Diverse perspectives	Have a mix of perspectives that move the team's work forward
	External orientation	Are connected to networks outside the core team and/or broader organization to learn new perspectives
	Role definition	Understand the expectations and responsibilities of individual roles and have the right people in them
Alignment *Are we committed to the team and are we clear on our purpose and goals?*	Commitment	Are committed to the team and prioritize its success over their own
	Goals	Have individual- and/or team-level goals that are challenging to achieve and are aligned to the priorities of the organization
	Purpose	Are aligned on a clear team purpose and can articulate what the team is meant to accomplish
Execution *Are we effectively carrying out our day-to-day work?*	Collaboration	Have agreed-upon norms that accelerate collaboration and improve ways of working
	Communication	Communicate sufficiently and effectively, and choose the right communication methods
	Decision making	Define clear roles in the decision-making process, make quick, high-quality decisions, and learn from poor decisions
	Feedback	Give honest and effective feedback, invite direct feedback, and receive coaching support
	Meeting effectiveness	Focus on actionable items, involve the right people at the right time, and follow through on next steps
Renewal *Do we create the right working environment and enact practices for long-term learning and improvement?*	Belonging	Feel they are a part of the team and can be themselves
	Conflict management	Address conflicts effectively and in ways that improve team relationships
	Innovative thinking	Seek out opposing perspectives, have open discussions about change, and encourage out-of-the-box thinking and solutions
	Psychological safety	Feel comfortable making mistakes and taking risks without fear of negative consequences, constructively disagree with one another, and proactively invite each other's input
	Recognition	Are recognized for excellent performance, celebrate one another's accomplishments, and hold one another to consistent performance standards
	Trust	Feel they can rely on one another, give each other the space to get work done, and demonstrate good judgment

Furthermore, our research shows that four drivers in particular have the greatest impact: trust, communication, innovative thinking, and decision making. Teams that had above-average scores in these four areas were more likely to be efficient and innovative and to produce better results with stakeholders and customers (Exhibit 1).

Exhibit 1

Health drivers are highly predictive of team performance outcomes, though four appear to make the most difference.

Health drivers by amount of explained variance,[1] %



Teams that scored above average on the following:

Trust

- 3.3× more efficient
- 5.1× more likely to produce results

Communication

- 2.8× more efficient
- 2.7× more likely to produce results
- 3.1× more innovative

Innovative thinking

- 2.3× more efficient
- 2.4× more likely to produce results
- 2.7× more innovative

Decision making

- 2.8× more innovative

Note: The "diverse perspectives" driver was excluded from this analysis because there was evidence indicating its measurement was not on par with the other drivers.
[1]Top 3 drivers were selected based on the results of a relative importance analysis, which ranks the drivers based on their relative contribution to our understanding of team differences on the performance outcome.
Source: McKinsey analysis

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Here are examples of how two of these drivers can play out among teams:

- *Trust.* What it means to trust someone can be understood in two ways: *cognitive* trust (believing they are competent, reliable, and have a sense of integrity) and *affective* trust (forming interpersonal bonds built on a sense of care and connection).[7] Our research showed that teams that scored above average on trust were 3.3 times more efficient and 5.1 times more likely to produce results, compared with those with below-average trust.

  Trust does not happen overnight—it must be built. For instance, the leadership team of a Middle Eastern company held a "storytelling dinner," during which everyone shared stories about moments in their lives that shaped who they are. One of the leaders—who was viewed by his colleagues as sharp in his communication and uncaring in his relationships—shared a story of his childhood that helped the other members understand why he behaved that way. This led them to trust him more, because he demonstrated vulnerability in a way that allowed them to get to know him on a personal level. By starting this conversation, the leader was also able to reflect on how his communication style affected others.

- *Decision making.* While good decision making is important for team performance in general, it is particularly important in driving innovation. Our research shows that teams that scored above average on decision making were 2.8 times more innovative than below-average teams. However, teams are often unclear about what each person's role is in the decision-making process, regardless of whether they are making simple day-to-day decisions, deciding on innovative avenues to pursue, or when faced with complex or uncertain decisions.

  At a North American health insurance company, the top team was facing a strategic decision about which parts of the business the company would invest in, and how it would allocate funding. The team used the DARE model, which is a helpful exercise that can quickly get everyone on the same page regarding the team's decision roles. *Deciders* are those with a final vote; *advisers* have input and help shape the decision; *recommenders* offer perspectives and present the final fact set; and *executors* carry out the decision.

  The team found that these discussions brought great clarity, particularly by distinguishing between decision makers and advisers. Initially, the group believed that the CEO should be the sole decision maker. But after several conversations, that role shifted to an advisory position and others on the leadership team were identified as the true decision makers. Furthermore, the discussions uncovered that several team members didn't need to be involved at all, whereas those most affected by the investment and funding decisions weren't even in the room—something the team vowed to address.

Myth: *Teams already know what they need to work on.*

Reality: *Teams are often unaware of their most important gaps and can have shared blind spots, leading them to prioritize the wrong things.*

[7] Julie V. Dinh et al., "Developing team trust: Leader insights for virtual settings," *Organizational Dynamics*, 2021, Volume 50, Issue 1; R. C. Mayer, J. H. Davis, and F. D. Schoorman, "An integrative model of organizational trust," *Academy of Management Review*, 1995, Volume 20, Number 3.

Teams may believe a particular behavior is a strength when it is actually a weakness, or they may choose to work on something that they already do pretty well. Sometimes they believe a certain behavior is important, but they aren't doing it as well as they should be.

When we ask teams to select their most and least important health drivers, and then plot them on a matrix against how frequently the team exhibits them based on their actual scores, it typically reveals blind spots in the team's understanding of where they need to improve; this results in a shift in their priorities about which behaviors to work on.

Without this exercise, teams may prioritize the wrong behaviors, or deprioritize crucial behaviors they think they are good at but in actuality should be working on. Our research reveals that there is a gap between what teams believe is important and what drives them to perform and achieve their objectives. For example, teams ranked trust and communication among their top five most important drivers, but innovative thinking and decision making ranked much lower, despite those drivers' contributions to performance. Teams should focus on these key behaviors, as well as those they believe are important but where they scored lower.

To illustrate this, Exhibit 2 shows the results of one team's prioritization matrix. While this team believes communication and decision making are important, it isn't doing well in these areas, whereas innovative thinking is a behavior that the team is neither effective at nor giving enough importance. There are two other behaviors—psychological safety and collaboration—that the team thinks are important but have room for improvement. Based on these results, it would be worthwhile for the team to focus on improving in these five behaviors.

Myth: *There is a best-practice playbook for team effectiveness that every team should adopt.*

Reality: *There is no one-size-fits-all solution.*

Of course, different teams operate differently, yet many teams are not aligned on what type of team they are. Our diagnostic measures two key characteristics to classify teams based on how they operate: outcome interdependence and task interdependence.[8]

Outcome interdependence reflects the extent to which team members' individual outcomes and success depend on that of other team members and the team as a whole. When outcome interdependence is high, each member's contribution affects the collective success of the entire team—they succeed or fail together. With low outcome interdependence, each member's success is independent of the performance of others or the team overall. Each person can be individually successful regardless of how well others are doing.

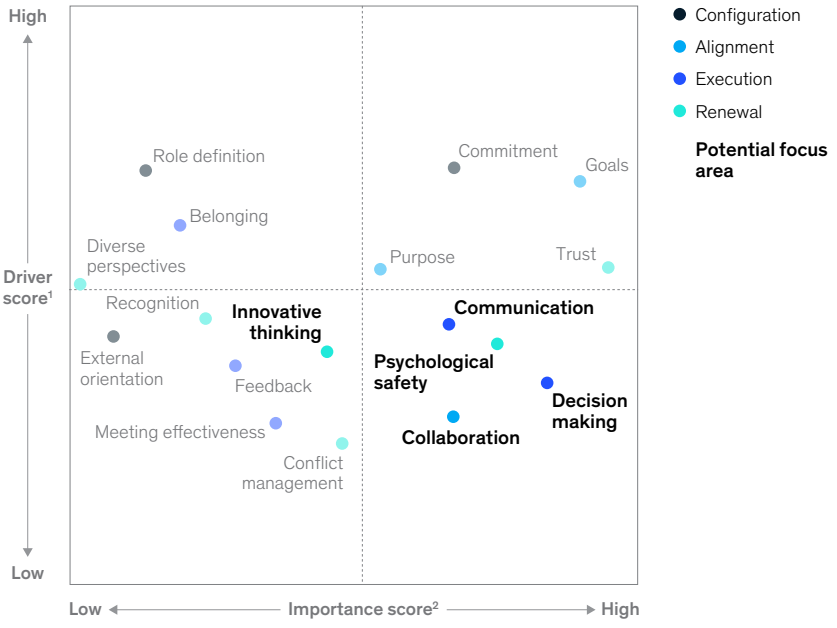
Task interdependence is the extent to which team members interact to achieve their goals. When task interdependence is high, team members must work in close coordination, as each member's workflow depends on input and cooperation by others. With low task interdependence, each team member's work is self-contained and does not require interacting with other members.

[8] Ruth Wageman, "Interdependence and group effectiveness," *Administrative Science Quarterly*, 1995, Volume 40, Number 1.

Exhibit 2

To identify priority areas where the team can improve, health drivers can be plotted by their importance and by how frequently they are exhibited.

Driver score and importance score, illustrative, value



[1]Drivers are measured using a 7-point frequency (1 = never; 7 = always). Driver scores are calculated by subtracting the percentage of team members who rated the team as demonstrating the behavior very frequently (rating of 6 or 7) by the percentage of team members who rated the team as demonstrating the behavior very infrequently (rating of 1, 2, or 3). Driver scores are plotted from −100 to +100, with higher scores indicating greater effectiveness.
[2]Average ranking score based on 5 most important and 5 least important drivers.
Source: McKinsey analysis

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Surprisingly, our research found that only 46 percent of teams agree on both types of characteristics, while 54 percent disagree on one or both characteristics.[9] This mismatch has implications for how team members work together—if they are each playing a different sport, success will be hard to come by.

Imagine that a team needs to frequently coordinate efforts, but one person works in a silo and does not check in with others. Or consider a team that is evaluated as a group, but one person puts their own individual goals above those of the team. These situations can lead to suboptimal team performance because people operate in ways that are not in the best interest of the team.

Of the teams that did agree about how they operated, we found that they were about equally split into three archetypes. The work done in teams that are typical of these three archetypes can be compared with the distinct ways that sports teams operate (Exhibit 3).

[9] Agreement is indicated by within-team correlations (r_{wg}) greater than 0.70, which measure the degree of consensus within a team. Teams whose r_{wg} scores on both characteristics (outcome interdependence and task interdependence) met this threshold were considered to have agreement on their team type.

Exhibit 3

Teams can be categorized into three archetypes.

Attributes by team type[1]

	Cycling team	Relay team	Rowing team
Outcome interdependence *The extent to which team members' individual outcomes and success depend on that of other team members and the team as a whole*	**Moderate:** While cyclists might work together to draft and support each other, each cyclist rides their own bike and can make individual decisions during the race	**Moderate:** While the overall performance is a combined effort, each runner's individual performance in their own segment is crucial	**High:** The success of the race depends entirely on the coordinated effort of all rowers working in perfect harmony
Task interdependence *The extent to which team members interact to achieve their goals*	**Moderate:** The team's success can be influenced by individual performances, but the collective effort, such as drafting and strategic positioning, also plays a significant role	**High:** Each runner must complete their segment of the race and smoothly hand off the baton to the next runner, requiring precise timing and coordination	**High:** Each rower must synchronize their strokes precisely with the others to maintain balance and speed
Drivers of performance			
Top drivers *Across all teams*	Trust Communication Innovative thinking Decision making	Trust Communication Innovative thinking Decision making	Trust Communication Innovative thinking Decision making
Differentiating drivers[2]		Commitment Goals Recognition	Belonging Role definition

[1]Based on the results of a cluster analysis, including only the teams that agree on their team type (n = 30).
[2]A differentiator is a driver that is within the top 5 for high-performing teams within the archetype and has both a large rank difference and a large score difference between higher- and lower-performing teams within the archetype.
Source: McKinsey analysis

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Additionally, we compared higher- and lower-performing teams within each archetype to determine whether certain drivers matter more for them to operate most effectively:

- *Cycling team.* A company's recruiting team exemplifies this archetype. Each member focuses on different aspects of the hiring process—recruiters source and screen candidates, hiring managers conduct interviews and make decisions, and administrative staff handle logistics. They must coordinate to ensure a smooth candidate experience and successful hires, yet each role can perform effectively on its own and have individual success metrics, such as the number of hires or time-to-fill.

  For these teams to operate effectively, it's sufficient to focus on the core drivers that our research found to be important for team performance.

- *Relay team.* An example is a software development team using agile methodology. Each developer works on different features, but all must collaborate frequently. This ensures that all members work together seamlessly, even though individual contributions may vary in their direct impact. For example, if a feature created by one developer has a bug, the software can still function well if the features created by other team members run smoothly.

In our research, we found that higher-performing teams within this archetype emphasize three specific behaviors more than lower-performing teams of this type: goals, commitment, and recognition. Because this type of team has high task interdependence, ensuring that the team is aligned on its goals and fully committed is critical for performance success. When one person drops the ball or solves mainly for individual goals, it affects the full team's ability to perform. In addition, recognizing member contributions in this context is important to motivate the team to operate as a unit.

- *Rowing team.* Think of a surgical team in a hospital. Its members—from surgeons and nurses to technical and other medical personnel—must work together closely. The success of each surgery depends heavily on each team member performing their duties flawlessly and in perfect coordination.

  Higher-performing teams within this archetype emphasize belonging and role definition more so than lower-performing teams of this type. Because these types of teams are highly interdependent on tasks and outcomes, members' roles must be clearly defined so that everyone understands who is responsible for each aspect of the work. Feeling that they are part of a close-knit team helps them succeed as an integrated whole.

Building teams that are greater than the sum of their parts

Because healthier teams lead to better performance, leaders have a stake in helping teams across the organization create better practices. They can do this by taking a holistic view of team behaviors while paying closer attention to the top performance drivers of trust, communication, innovation, and decision making. They can also help minimize a perception gap that often plagues teams when they know certain behaviors are important but they aren't exhibiting them. Finally, they can push team members to get on the same page about what type of team they are, including their degree of interdependence. Consider the following four actions to help your teams succeed.

Take a hard look in the mirror

Team diagnostics are an excellent way to get a baseline on key behaviors that will lead to healthier ways of working by uncovering the areas where the team is already operating well and identifying those in greatest need of improvement. With this newfound awareness, teams can create a charter that details how they will work together and which behaviors they will prioritize in the pursuit of better team health and performance. Most important, members must have a shared commitment to the team goal, not just their own individual goals, as well as to contributing to making the team as effective as it can be.

Members can also focus on understanding how their own mindsets and behaviors affect the group. All people, from the CEO to the front line, have unique backgrounds, upbringings, and experiences that create habituated, ingrained behavioral patterns. There are several tools to build personal self-awareness—such as 360 feedback or one-on-one coaching—that enable real change by working on one's inner self and how to show up for others.

Make sure the changes stick

Once teams understand the behaviors they need to emphasize and where they're struggling, what do they do about it? They can make clear commitments to change things, with specific actions and tactical interventions on what they will do differently. It is also important to establish governance, processes, and other mechanisms to ensure follow-through on these commitments. Carrying out change is what truly matters.

Teams must continually reevaluate how they're doing to prevent regressing back to old habits. Instilling new behaviors is not a linear process; in fact, the journey can be long and bumpy, with some actions adding momentum and others that kill it. Holding regular, retrospective check-ins to discuss what is working well and what still needs improvement is critical. The more often teams take the time to step back and reflect, the more likely it is that new behaviors become the default way of operating.

If you are a team leader, don't stand in the way of progress

Teams can have the best of intentions, but if the leader is not open to change, the likelihood that team health improves drops dramatically. We have seen leaders who simply can't shift away from a command-and-control mindset to a collaborative approach without some sort of intervention.

Coaching is one effective way to help the team leader be a force for positive change. As illustrated earlier, sometimes an effective workshop can create the conditions for a leader who is "stuck" to open up to new ways of working.

While team leaders play an important role, their viewpoint is not the only one that matters. In fact, our research revealed that team leaders tend to have a more favorable perception of the team's effectiveness across most of the health drivers. This suggests that leaders have a rosier view of the team than others do, underscoring the importance of soliciting all members' perspectives to get a well-rounded picture of how the team is operating, and not just relying on the leaders' perceptions.

Embed team effectiveness in the organization's DNA

The road to better team effectiveness is a continuous journey, both for the teams themselves and the organization at large. For a team-effectiveness approach to have scalable impact, it needs to be systematically embedded into the structural processes of the organization. That allows it to be used not just with a few teams but, ideally, with every team. One way to do this is by using a "train the trainer" method to cascade from an initial set of high-value teams to hundreds of teams.

For example, an Asian bank followed this approach to scale team effectiveness to more than 200 teams. The bank started by having members of the HR organization first experience the program themselves, guided by experienced external facilitators. They observed and shadowed the facilitators as they brought additional teams through the program. They then co-led the program along with the experienced facilitators for another set of teams. Finally, they were sufficiently trained to facilitate the program with the remainder of the teams on their own.

What makes a great team has often been built on experience, expertise, and leadership intuition. Intuition is often right, but it can also go wrong. We now have data to help tell fact from fiction when it comes to what makes teams work: identifying and prioritizing the behaviors that matter most, understanding team type and context, and putting in the effort to ensure that new behaviors stick. Armed with this evidence, leaders can scale more healthy teams that raise performance levels and create more value across the organization. Q

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