



**SUCCESS FACTORS OF  
TOP PERFORMING VIRTUAL TEAMS**

**"A lot of organizations create virtual teams with almost no understanding of the unique implications of that decision."**

- Margaret A. Neale, Professor, Stanford Graduate School of Business

## INTRODUCTION

Rising travel costs, global dispersion of talent, and advances in technology are some of the reasons organizations have migrated toward virtual teams whose members must collaborate from a distance. While numerous organizations have made significant investments in virtual teams (sometimes referred to as geographically dispersed teams) and the technology to support them, a surprising number of these teams are not reaching their full potential.

While there are numerous books and articles about best practices in virtual teamwork, many are not research-based and there are opportunities to further develop targeted recommendations for virtual teams. To address this problem, a new study conducted by OnPoint surveyed 48 virtual teams across industries to identify specific practices associated with the most successful virtual teams. The focus of this study was to understand what factors differentiate high performing virtual teams so companies can implement high-impact strategies to make virtual teams more productive.

### Study Methodology

For the purposes of this research we defined a virtual team as one that has between three and 35 members who are geographically dispersed (i.e., at least 1/3 of team members work in different locations) but have to collaborate with one another to achieve results.

Forty eight virtual teams from 16 organizations spanning a variety of industries participated in the study. The following companies participated in the study and are included in the findings:

- American Heart Association
- Barclays Global Investors
- Deloitte
- HSBC
- Kraft
- Merck
- New York Life
- Oppenheimer Funds
- Saint-Gobain
- Schering-Plough
- State Street Investments
- Source Refrigeration
- Sun Microsystems
- TTC Group
- Vail Resorts
- Verizon Wireless

We administered a virtual team inventory to 427 team members and leaders between. In addition, third party data were collected from 99 key stakeholders (individuals who are very familiar with the teams such as internal customers or the team leader's manager) to objectively assess team performance. Finally, we conducted 45 telephone interviews with team members and team leaders to better understand their experiences and challenges.

The online virtual team inventory assessed six dimensions of virtual team performance, including: Results, Communication, Team Motivation, Interpersonal Relationships, Collaboration, and Purpose & Roles. The overall reliability of the virtual team inventory was very high ( $\alpha = .95$ ). The team performance assessment, completed by stakeholders, contained selected items from the team assessment primarily focused on outcomes, including an overall assessment of team and leader effectiveness.

### Team Demographics

Team size and tenure varied:

- The majority of teams (52%) had six to 12 members. One quarter of teams had 13 to 20 members, suggesting that team size was relatively large overall.
- Just under half of those studied had been working together for one to three years, whereas roughly the same percentage of teams had less than one year of tenure.
- Nearly half of team members reported being on only one virtual team, another third reporting being on two or three virtual teams, and the remaining team members were on more than three virtual teams.
- About half of the teams participating were cross-functional in nature.

Team members reported meeting frequently but meetings appeared to be phone-based rather than face-to-face and they did not consistently leverage collaborative tools or video conferencing:

- Half of team members reported meeting once a week or more often, while another 18% met several times a month; the remaining teams met once per month or less frequently.
- The vast majority of team members felt they had the proper technology to work together; however, most relied frequently on email and the telephone.
- Forty-three percent of team members reported meeting face-to-face only once or twice a year. Approximately 20% reported never having a face-to-face meeting.

**KEY CHALLENGES FACING VIRTUAL TEAMS**

We asked team members and team leaders to select the top three challenges that hinder their teams' performance:

<b>Challenges</b>	<b>Percentage of Responses</b>
Lack of face-to-face contact with team members	46%
Lack of resources	37%
Time zone differences hinder our ability to collaborate	29%
Team members are on more than one team and cannot devote enough time to the team	27%
Team members do not share relevant information with one another	21%
Lack of skill training	20%

As noted above, 20% of team members and team leaders selected lack of skill training as a specific challenge faced by virtual teams. When asked what skill development was needed, team members cited communication/interpersonal skills and collaboration as the top need. Other areas identified most frequently as development needs are:

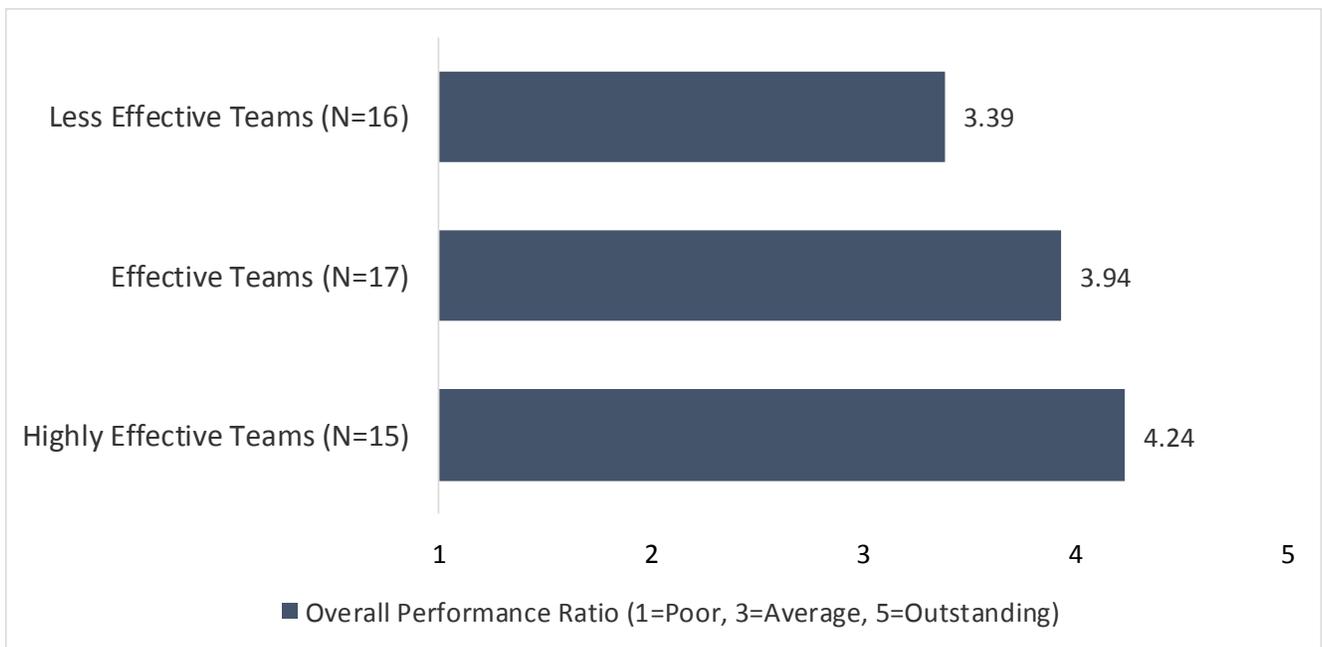
<b>Skill Development Area</b>	<b>Percentage of Responses</b>
Communication and Interpersonal Skills	45%
Collaboration	42%
Action Planning	35%
Problem Solving	28%
Decision Making	27%
Managing Change	27%

**With multiple demands for resources, limited time, and the lack of face-to-face contact, skill building can decrease the time required for teams to begin performing at their maximum level of effectiveness.**

**CRITERIA FOR IDENTIFYING TOP PERFORMING TEAMS**

In order to identify differences between high and lower performing teams, we classified teams as Highly Effective, Effective, and Less Effective based on the average of the team member, leader, and stakeholder ratings on overall team effectiveness and the average score on the Team Results dimension.

Based on these data points, all 48 teams were classified into three groups according to their level of effectiveness. The following graph illustrates the overall performance differences (which were statistically significant) between less effective, moderately effective, and highly effective teams:



**THE PROFILE OF TOP PERFORMING VIRTUAL TEAMS**

Based on the research findings, higher performing teams were profiled to determine what factors differentiate them from teams that were less effective.

*Team Composition*

- **Stable and consistent team membership.** With less frequent changes in team membership, high performing teams had greater stability and more time for members to focus on building lasting relationships.
- **Fewer team members.** Teams that were less effective were disproportionately larger such that 37% had 13 or more members compared to 24% for top performing teams.

- **Members are from the same function.** Fewer high performing teams were cross-functional, whereas the majority of lower performing teams were cross-functional. This suggests that cross-functional teams may face unique challenges and greater levels of complexity that inhibit performance in a virtual environment.
- **Members are on fewer teams.** A greater number of team members (42%) on lower performing teams reported team members' lack of time due to participating on multiple teams as a key challenge.
- **Members have longer tenure.** Teams with more than three years tenure performed better than those with shorter tenure which suggests that they have been able to improve many of their communication and execution practices.

### *Communication and Training*

- **Face-to-face kick off meeting.** Teams who held an in person initial meeting achieved better performance than those who never met face-to-face. The results indicate that holding the initial meeting within the first 90 days is associated with enhanced team effectiveness.
- **More frequent meetings.** Sixty-three percent of higher performing teams met at least once a week, compared to 29% of the less effective teams. Interestingly, higher performing teams also cite communication as a top training need despite their effectiveness, demonstrating their commitment to continuous improvement in this area.
- **Leverage technology.** Members of higher performing teams were more likely to report that they had the proper technology to facilitate working together effectively. Higher performing teams also reported using video conferencing slightly more often than their counterparts.
- **Provide skill training.** Our results indicated that teams who had more than four training or skill development sessions performed significantly better than those who had one or fewer sessions.

### *Leadership*

- **Team leaders who are able to lead from a distance.** Although leaders of high performing teams reported facing challenges such as a lack of resources and time to focus on leading the team, they compensate well. They appear to struggle less with building collaboration virtually, which was a key challenge reported by the lower performing teams.
- **Have more members reporting directly to the team leader.** Leaders of higher performing teams often had direct reporting relationships with their team members. This facilitates communication, increases the likelihood of team members having shared goals and clear roles and enhances the ability of the leader to follow through and hold people accountable.

**Organizations should be more deliberate when forming virtual teams by considering team composition, communication and training needs, as well as the characteristics required for the leader to successfully manage from a distance.**

## VIRTUAL TEAM DIFFERENTIATORS

We identified five practices that differentiate the highest and lowest performing virtual teams which, in our opinion, make these the most important ingredients for optimal team performance.

**1. Demonstrate a high level of initiative and leadership responsibility.** Members of high performing virtual teams seem to be more proactive and engaged and they demonstrate high levels of initiative. High performing virtual teams place greater emphasis on role clarity and are motivated by team success. Further, team members on high performing virtual teams proactively took on leadership responsibilities as required. In contrast, less effective virtual teams were less likely to do this.

**2. Establish shared process for decision making and problem solving.** While this may seem like a fundamental practice, higher performing virtual teams had more effectively established processes to facilitate decision making. Effective virtual team leaders ensure that communication processes are established early on and revisit them over time.

**3. Clarity about how their work contributes to the success of the organization.** High performing virtual teams have an understanding of how their work aligns with the strategy of their organization. This is extremely important in a virtual environment where it is easy for team members to become disengaged. Effective virtual team leaders also inspire team members and regularly monitor members' level of motivation.

**4. Trust one another to get things done.** Trust is a top factor for virtual team success, but task-based trust (a belief that team members will do their job) is especially important in a virtual setting. Specifically, trust builds when virtual team members follow through on commitments and take accountability for results.

**5. Work together effectively.** Successful virtual teams have determined how to collaborate effectively and work together to achieve their collective goals. In high performing virtual teams, team members support each other in goal achievement rather than independently executing tasks and objectives.

**To compensate for the lack of face-to-face contact, successful virtual teams emphasize the interpersonal dynamics of virtual collaboration and set up practices to build trust, increase transparency, and help build interpersonal relationships.**

## SUMMARY AND RECOMMENDATIONS

### Developing High Performing Virtual Teams: Implications for Organizations

- **Ensure the right fit of skill and character traits to task when selecting virtual team leaders.** Not surprisingly, team leadership is critical to team success. The most effective virtual team leaders are able to balance both the execution-oriented practices and the interpersonal, communication, and cultural factors that are prevalent in virtual teaming. This has important implications for team member and team leader selection. Organizations should select team leaders based on the key characteristics required to manage from a distance and periodically assess the effectiveness of virtual team leaders to provide targeted feedback about how these leaders can enhance their performance.
- **Don't take the team launch for granted—set teams up for success.** Organizations need to be thoughtful about team membership, team size, and ensure that teams have the appropriate resources to work together virtually. The following six steps will help ensure virtual teams are set up for success:
  1. Use criteria for virtual team member selection and consider who needs to be on the team to make high quality decisions and ensure buy-in. If the size of the team becomes too large, consider having sub-teams work on specific issues and report back to the larger team. This increases role clarity and helps enhance the level of accountability of team members.
  2. Participation on multiple virtual teams should be limited so team members can dedicate the time required to fulfill their role successfully. Team members often participate on virtual teams in addition to their day-to-day responsibilities. As such, organizations need to be thoughtful about team membership to better encourage commitment and initiative.
  3. Conduct a face-to-face start-up meeting to orient members to the scope of work, team membership, timelines, and team structure. This meeting should allow time to discuss team purpose, goals, and individual roles, learn more about each team member, develop team norms (e.g., attendance requirements), plan a communication strategy, and conduct team development activities.
  4. Help teams compensate for the lack of face-to-face interaction. For example, to help increase engagement and social interaction, some organizations have invested in collaborative software (e.g., WebEx, GoToMeeting, Google Hangout) and created “virtual water coolers” and team websites to encourage team communication.
  5. Invest in targeted skill training for virtual teams and team leaders (e.g., decision making, communication, giving feedback). Many of the successful teams in the study had skill development during their initial kick-off meeting and subsequent training over time.
  6. Develop operating guidelines to help structure team communication and decision making. If organizations invest time and resources in virtual teams, then it is important to capitalize on this and ensure that team members understand how to work together to achieve their goals.

- **Develop strategies to reward virtual teams.** It is important for organizations to implement programs that reward and recognize virtual teams for their collective performance. For example, find opportunities to “spotlight” team members or create mechanisms to virtually celebrate successes as a team.
  - **Foster more accountability.** What gets measured is what is likely to get done. Therefore, it is advisable to require both leaders and members of virtual teams to incorporate one or more activities related to their role on the team into their annual objectives/goals or personal development plan. Not only will this ensure individuals are motivated for team success, but it will also encourage them to use team participation as a growth and development mechanism to improve their skills.
7. **Assess team progress over time.** Review virtual team processes regularly (e.g., collaboration, decision making, and problem solving) to assess what things are working well and what might be improved. Continually monitor, assess, and improve communication, as this is both the top skill development need reported by team members and the top characteristic needed to lead from a distance. Most importantly, periodically examine the level of team performance by collecting feedback from various stakeholders to assess the team’s performance. Based on the outcomes, identify barriers to high performance, as well as steps that can be taken to overcome these barriers.

**Virtual teams need to compensate for the inherent lack of human contact in virtual teaming and find ways to enhance trust, engagement, and productivity.**

### ABOUT ONPOINT CONSULTING

OnPoint Consulting is an organizational and leadership consulting firm. We specialize in helping companies close the gap between the creation and communication of their vision and strategy and the achievement of their business objectives.

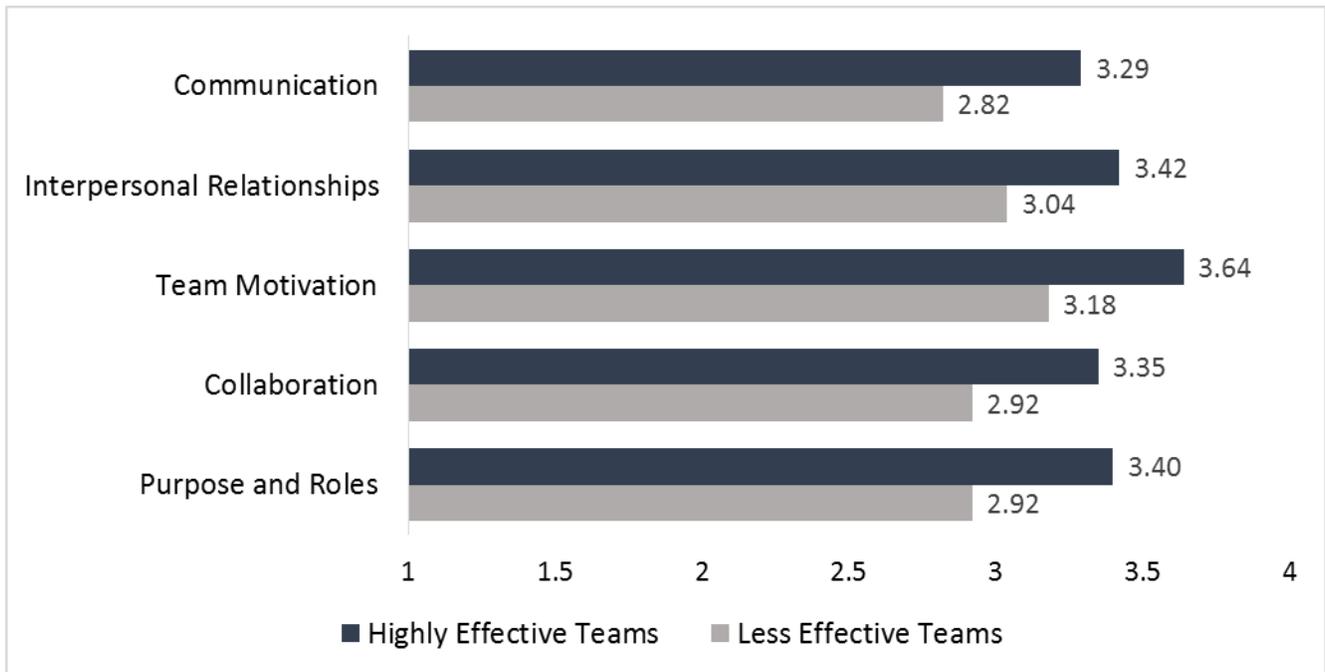
OnPoint combines practical research-based tools and models, a state of the art business simulation, action learning, and in-depth experience across industries to deliver high-quality and high-impact leadership and organizational development initiatives. We design our solutions to reflect each client's organizational culture and business environment.

Our individual and organizational assessments provide practical, actionable data to help drive execution and enhance organizational performance. We provide value-added analysis and interpretation, along with customized approaches to help our clients translate issues into action.

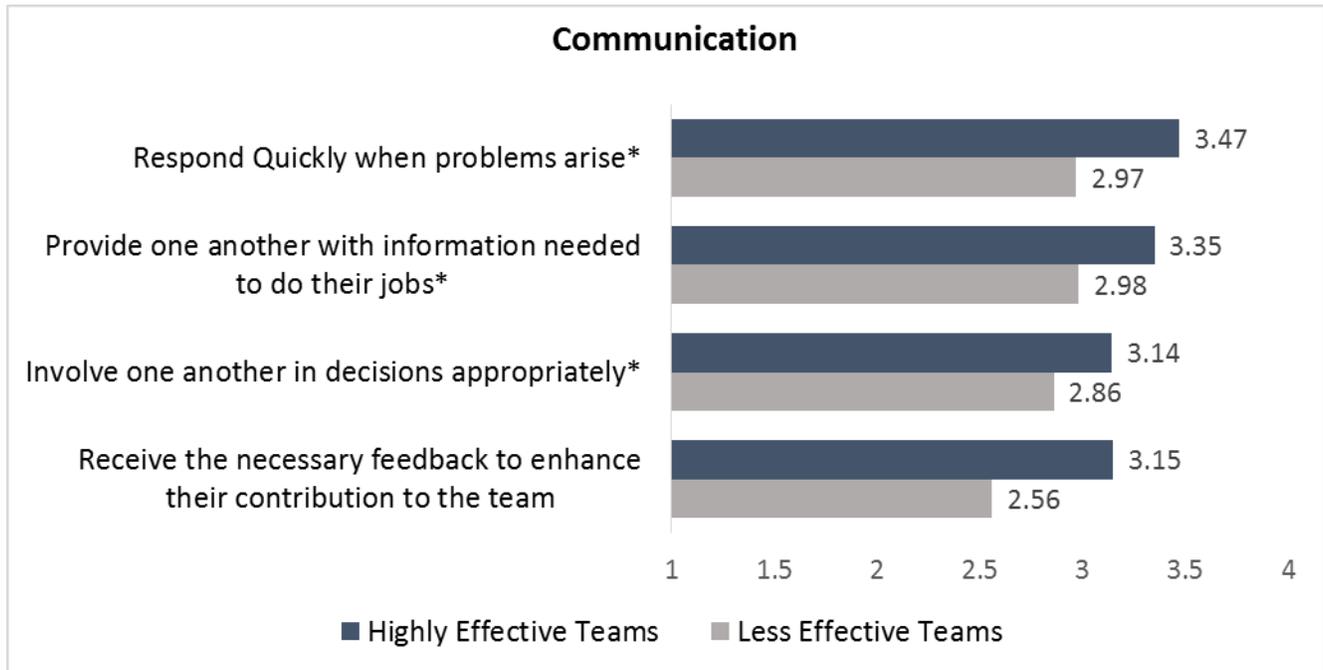
For more information please visit our website at [www.onpointconsultingllc.com](http://www.onpointconsultingllc.com).

**APPENDIX: BENCHMARKS OF HIGHLY EFFECTIVE TEAMS**

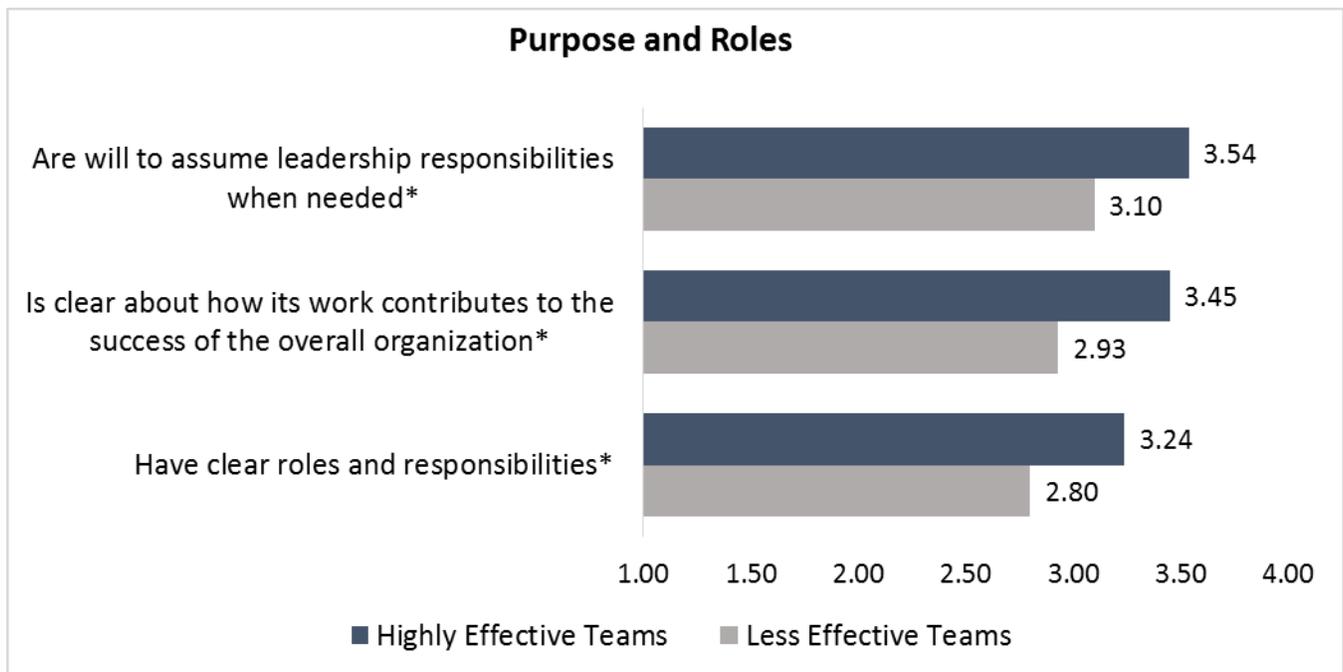
Dimensions and item level benchmarks are provided below which compare the 15 highest performing teams to the 16 lower performing teams. Differences on all dimensions were statistically significant, which means that high performing teams scored significantly higher than lower performing teams. On a four point scale with 1 being strongly disagree and 4 strongly agree, Team Motivation was the highest rated dimension followed by Interpersonal Relationships.



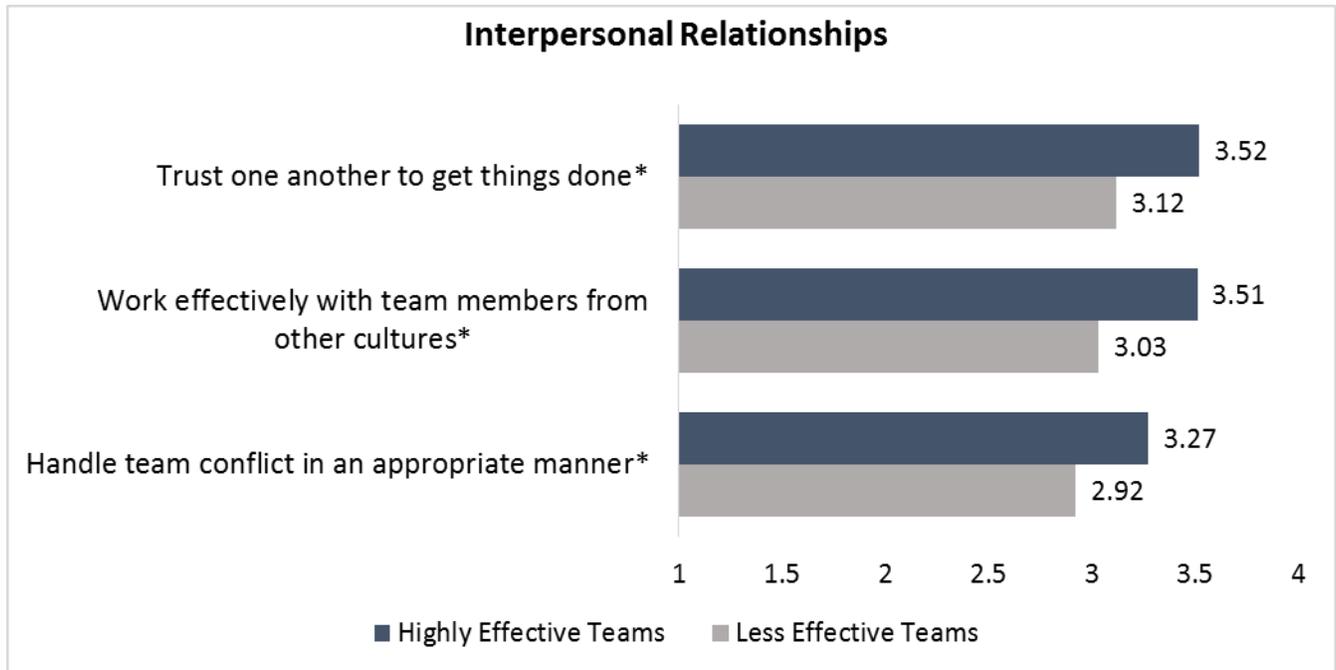
High performing teams proactively communicate with one another, sharing information and responding quickly when problems arise (asterisks indicate items that were statistically different between highly effective and less effective teams).



A well-defined purpose and clear roles differentiates high performing virtual teams. Less effective virtual teams are less likely to have these elements in place.



Interpersonal Relationships was one of the highest scoring dimensions for the most effective virtual teams. Higher performing teams trust one another to get work done and work effectively with team members from other cultures.



Collaboration, evidenced by team members’ willingness to help one another achieve goals and the ability to work together effectively, was characteristic of high performing virtual teams.



Motivation was the top scoring dimension among the higher performing virtual teams. Members on these teams report that they are willing to put in extra effort and demonstrated initiative.

