

Virtually There

What Leaders Need to Know about the Impact of Distance on Team Performance

James Eyring, Ph.D., Chief Operating Officer

Maria Diana Conway, M.S., Research Associate

Increasingly, organisations require leaders to manage teams that are dispersed across different geographies. Research clearly shows that distance can reduce team performance. However, this research also shows that teams separated by distance, time and culture can perform as well as if not better than collocated teams...if they implement the right tools and processes.

LEADERS at all levels in organisations are being asked to manage in an increasingly complex global environment. In addition to facing changing market dynamics, leaders frequently are required to lead teams across national, cultural, and organisational boundaries. Complexity also is increasing for individual contributors who are asked to report to multiple managers and to work with team members whom they rarely meet face-to-face. Creating dispersed teams is common, but there is little understanding of the impact of these changes on performance and on the managers leading these teams.

Over the past five years, a growing amount of research has examined how distance impacts performance. Leaders and HR professionals can benefit from this by understanding:

- How distance impacts team outcomes
- How to reduce potentially negative outcomes
- Challenges leaders face managing dispersed teams
- Practices that can be implemented in organisations

Early “distance” research began in the 1950’s and 1970’s and focused on the impact of distance in a single office. Interactions and friendships were found to decrease significantly as physical barriers such as cubicle walls and small distances (e.g. sitting on separate floors) increased.¹ Amount of communication decreased as distance between individuals or teams increased.²

As organisations have globalised, research in this area has improved. This research shows that having dispersed teams can negatively impact performance. Specifically, distance can result in:

- Decreased performance and communication
- Increased conflict and mistrust
- Increased coordination problems

This white paper is based on research presented by Organisation Solutions in the Good Science, Great Practice HR Leader Learning Series. The purpose of this series is to help regional and global HR Leaders connect research and experience on people and organisation practices. We also hope to debunk a few myths along the way!

How Distance Impacts Team Performance

Leaders experience different types of “distance”, including spatial, temporal and configuration (e.g., having imbalanced teams in different locations). Each of these present a different challenge, and these challenges can compound each other (See Figure 1).

Figure 1: Distance Brings New Challenges to Teams³

Distance	Challenges
Spatial	Less face-to-face interaction
Temporal	Less same-time interaction
Configuration	More inter-dependencies to manage
Isolation	Integration of isolate
Imbalance	More subgroup dynamics

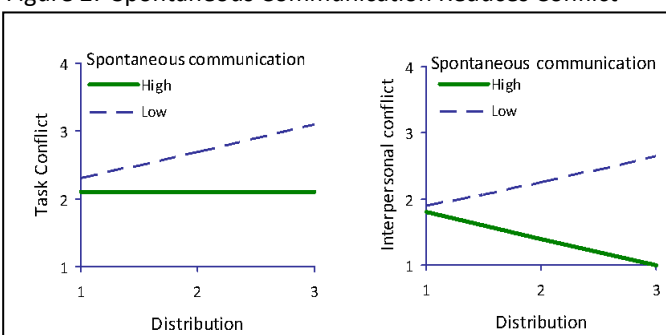
These challenges can lead to a variety of negative outcomes if not managed well. Research into each of these outcomes and implications for leaders is presented below.

Reducing Conflict. Some conflict is inevitable in groups, but the amount of conflict and the time it takes to resolve conflict increases for dispersed teams. For example, HBR recently quoted a study that virtual teams have 243% more workplace relationship problems than do collocated teams.

This amount of conflict is avoidable. Research shows that having a shared identity decreases interpersonal conflict. Having a shared context (e.g., shared processes & communication) decreases task and interpersonal conflict.

Spontaneous communication appears to play an important role in reducing this conflict. As shown in Figure 2, as distribution of a team increases, conflict increases for teams with low spontaneous communication. For teams with high spontaneous communication, task conflict does not change and interpersonal conflict actually decreases.⁴

Figure 2: Spontaneous Communication Reduces Conflict⁴



Leaders now know that inappropriate use of e-mail and small misunderstandings can cause conflict on teams. A key to controlling and reducing this conflict is to build shared priorities and processes for the team, and to encourage more spontaneous communication with and between team members. Technology that aids spontaneous communication (e.g. instant messaging, SMS and phone) can reduce conflict when used appropriately.

Improving Performance. Team distance also impacts team performance. For example, a recent study of global software development teams indicates that distance impacts ratings of team effectiveness (e.g., product quality, reliability and customer satisfaction) and efficiency (e.g., meeting budget and time constraints).⁵ Teams with members separated by a single office building floor were less effective than those on the same floor. Teams with members located on different continents had the lowest levels of effectiveness and efficiency.

In this study, dispersed teams did not automatically have lower performance. When dispersed teams used effective task-related processes, they performed on par or better than collocated teams. Task-related processes were processes that increased task-related communication, balanced team member contributions, and increased mutual support. Teams that did not use these processes performed at lower levels. The worse performing teams were dispersed across continents and did not use these task related processes.

When working in a distributed environment, implementing task-related processes is critical for team performance. Leaders must ensure processes are in place to coordinate work, provide mutual support, balance member contributions, and provide task communication. Using a team charter, clarifying roles and responsibilities, and identifying expectations of how work should be accomplished will help improve performance despite team member distance.

Impact of Configuration. Organisations often place team members in different locations without examining the impact of team configuration. Configuration refers to how many team members are at each location. For example, teams can be collocated, have one remote team member, or be dispersed across multiple locations.

One recent study (See Figure 3) examined four types of configuration and their impact on performance. The teams were either collocated, had one remote team member (one isolate), or were in two locations. Teams

in two locations were either balanced (same number of team members in each location) or imbalanced (one location has more team members).

Figure 3: Configuration Impacts Team Outcomes⁶

	Shared Identity	Use of Team Member Knowledge	Conflict	Coordination Issues
Collocated Team (6-0)	1	1	2	1
Distr. w/Isolate (5-1)	2	1	1	1
Distr. Balanced (3-3)	3	3	3	3
Distr. Imbalanced (4-2)	4	4	4	4

Rankings represent rank order of effectiveness of team outcomes (high numbers = low effectiveness)

The best performing teams were collocated or had one remote team member. Imbalanced teams were least effective on all team outcomes. Teams members at the smaller sites claimed that the larger sites 'out-voted' them or simply took action without consulting them.

Although this research is based on virtual, leaderless teams, it has implications for how leaders structure their teams. Leaders managing two sites with imbalanced teams are more likely to encounter problems between the 2 sub teams. Such structures may be unavoidable, but the impact of the structure can be mitigated by building shared identity, and implementing processes that use team member knowledge and reduce conflict.

Building Trust. Organisations frequently put teams together to work on a project. If the team members mistrust each other, team morale and team outcomes suffer. Building trust amongst team members who may never see each other is critical to team performance.

Two factors are important for building early and on-going trust in a team.⁷ First, amount of communication (via e-mail, phone, etc.) is a key predictor of trust. This includes information from the manager and from team members. Second, socialisation processes for the team result in increased trust.

Unfortunately, teams frequently jump into assigned tasks and may ignore activity that will build trust. Avoid this by making sure newly formed teams have a process or set of norms to socialise team members and create norms for communication that will build trust.

Improving Shared Information. The amount of communication builds trust on a team, but does not necessarily lead to better decision making. Not

surprisingly, teams that share uniquely held information improve decisions and performance. The more they share information that individuals know, but that has not been shared with the group, the more likely they are to improve performance.⁸

As many managers complain after long team meetings, this is not how teams' usually spend their time. Research shows that teams are more likely to spend time discussing information they already know (commonly known information by team members).

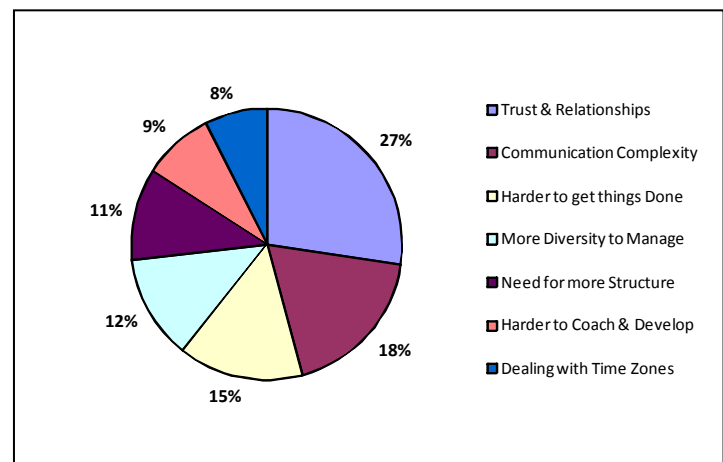
To improve performance, leaders should structure discussions to allow team members to share relevant, uniquely held information. Discussion also can be improved by ensuring the team are able to retrieve and access information relevant to key decisions.

Research has clearly demonstrated that distance can negatively impact team performance and provide greater challenges to leaders. However, teams separated by distance can perform as well as if not better than collocated teams. To achieve this, Leaders and Human Resources professionals should consider implementing better practices within their companies to help managers lead these teams successfully.

What Should Long-Distance Leaders Do?

We have asked hundreds of leaders from Asia, Europe and the US to identify the key challenges they face leading long distance vs collocated teams (see Figure 4).

Figure 4: Long-distance Leaders Face Many Challenges⁹



The top few challenges they faced were building trust, managing communication complexity, getting things done remotely and managing diversity.

“Laughter is the closest distance between two people”

Victor Borge

There are a number of skills and processes that long-distance leaders should be equipped with to manage dispersed teams.

Team Management Practices

- Select and hire employees who can work independently and that have remote employee competencies (e.g., communication flexibility, trust building)
- Avoid hub-and-spoke management. This is a common trap for leaders. Instead, leaders need to build empowered or self-sustaining teams. Find ways to connect the team in the work that they do
- Structure time to align stakeholders, team members, priorities and processes. This task is more difficult and needs more attention in matrixed, dispersed teams
- Clarify the 4Rs for team members: Roles, Responsibilities, Relationships, and decision Rights

Team Meetings and Kickoff Practices

- When possible, start new teams using face-to-face meetings to build early relationships. If this is not possible due to budget constraints, take time on calls to share pictures and to allow team members to get to know each other
- Build time into meetings to improve information sharing of uniquely held information
- Start new teams with frequent communication and take time to define and build team norms
- Model and encourage spontaneous communication. Don't fall into the e-mail trap!
- Identify collaborative technology available in your company and ensure you can use to well. Identify how best to use this technology with your team

These and other practices can help managers overcome the challenges of leading dispersed teams.

What Should Human Resources Do?

Human Resources plays a key role in building organisation capability and in designing and implementing effective organisation structures. Given the research on distance, Human Resource professionals

need to be better versed on the impact of distance. They may also want to consider implementing these practices:

Building Capability

- Provide appropriate training and knowledge to prepare managers to lead dispersed teams. Some companies also train remote team members and virtual team leaders
- Implement long-distance competencies for hiring and placing employees and leaders
- Work with IT to build collaborative technology infrastructure to support remote management
- Provide processes to help teams better align within the team and with other parts of the organisation

Organisation Design

- Avoid lower level employees reporting out-of-country, and avoid inexperienced leaders managing long-distance. Review these relationships regularly
- Review structures for geographically imbalanced teams
- Design processes that align performance and objectives across the organisation, not just vertically

Summary

Over the last 20 years, organisations have become more dispersed. Research shows that this decreases team performance and trust, and increases conflict and coordination issues. However, many organisations still fail to equip leaders and team members with the right tools to cope with these challenges. Fortunately, organisations can overcome these challenges. With the right training, processes and tools, leaders can effectively manage in a globally dispersed organisation.

Organisation Solutions is a boutique consultancy delivering organisation design, development and change solutions worldwide. Headquartered in Singapore, we operate across the globe with consultants based in Australia, Japan, New Zealand, South Africa, UK and US.

We count among our clients, some of the world's leading corporations, including Agilent, Danone, DeBeers, Disney, Hewlett-Packard, Honeywell, Merck, Morgan Stanley, NEC, Nokia, Philips Electronics, SAP, Shell and Visa International. We have also worked with Asian organisations such as the Prime Minister's Office (Singapore), the Hong Kong Civil Service College and the Singapore Exchange.

About the Authors

James Eyring is the leader of Organisation Solutions' global consulting practice and leads the Leader Excelsior and Interact practice areas. James has worked in the field of Management Development and Human Resources for over 20 years within leading multinationals such as Dell, Ingram Micro and Pizza Hut/PepsiCo. He has a Ph.D. in Organizational Psychology and has lived and worked in Asia for the last 11 years.

Maria Diana Conway is a Research Associate with Organisation Solutions. She is currently leading a research study to better understand the impact of leader behaviours on dispersed teams. She has a M.S. in Industrial and Organizational Psychology.

An OS article. Last updated August 11 2009.

organisation
SOLUTIONS
Architects for Growth

To contact us, please send an email to mail@organisationsolutions.com or

Visit our website www.organisationsolutions.com to learn more about us.

References

1. Festinger, L., Shachter, S., and Back, K. (1950). *Social pressures in Informal Groups*. Harper, New York.
2. Allen, T.J. (1997). *Managing the Flow of Technology*. MIT Press.
3. O'Leary, M. and Cummings, J. (2007). The spatial, temporal, and configurational characteristics of geographic dispersion in teams. *MIS Quarterly*, 3(3) 433-452.
4. Hinds, P., and Mortensen, M. (2005). Understanding conflict in geographically distributed teams: the moderating effects of shared identity, shared context, and spontaneous communication. *Organization Science*, 16(3), 290-307.
5. Siebdrat, F., Hoegl, M., and Ernst, H. (2009). How to manage virtual teams. *MIT Sloan Management Review*, Summer 2009 50(4), 62-69.
6. O'Leary, M., and Mortensen, M. (2008). Go (Con)figure: subgroups imbalance, and isolates in geographically dispersed teams. *MIT Sloan School of Management*.
7. Jarvenpaa, S., Shaw, T., and Staples, D.S. (2004). Toward contextualized theories of trust: The role of trust in global virtual teams. *Information Systems Research*, 15(3), 250-267.
8. Mesmer-Magnus, J., and DeChurch, L. (2009). Information sharing and team performance: a meta-analysis. *Journal of Applied Psychology*, 94(2), 535-546.
9. Eyring, A.R. (2007). What is Different in Leading Long Distance? *Organisation Solutions Technical Report*.