

Chapter One

Why Virtual Teams Fail

“You have no choice but to operate in a world shaped by globalization and the information revolution. There are two options: Adapt or die . . . You need to plan the way a fire department plans. It cannot anticipate fires, so it has to shape a flexible organization that is capable of responding to unpredictable events.”

—Andrew S. Grove, *Intel Corporation*

Virtual teams are more prevalent than ever. It’s not hard to see why. Advances in technology have made it easier to organize and manage dispersed groups of people. And competitive pressures and the needs of today’s global market workforce have made virtual teams a necessity for some organizations.

Many companies are using virtual teams to reach business objectives and to get a leg up on their competition. However, in others, virtual teams are more opportunistic, emerging in response to a particular event or need. For example, joint ventures or acquisitions within the pharmaceutical industry have led to the use of virtual teams because different R&D functions need to collaborate to accomplish shared business goals.

But the fact that virtual teams continue to grow in popularity doesn’t mean they’re always being used and managed properly. Quite the contrary. When OnPoint started working with various organizations that used virtual teams, we noticed that few actually

understood how to set their virtual teams up for success in order to ensure continued quality performance.

We found that many organizations simply recycled the same guidelines and best practices they were using for their co-located teams and hoped for the best. And frankly, that system wasn't working. It seemed obvious that face-to-face teams and virtual teams were the proverbial "apples and oranges" situation.

To help these organizations maximize their investment in virtual collaboration, we wanted to better understand what virtual teams need in order to consistently meet their performance expectations, and we wanted to uncover the unique obstacles these teams face.

So, in order to identify the specific practices associated with the most successful virtual teams and to better understand why some virtual teams fail, we conducted a study of forty-eight virtual teams across a broad range of industries. Three questions motivated our research:

- Why do many virtual teams fail to meet performance expectations?
- What differentiates the very best virtual teams from those that are less successful?
- What differentiates highly effective virtual team leaders from those that are less effective?

Keep in mind that we weren't using the study to compare face-to-face teams with virtual teams. Instead, we set out to understand what factors differentiate high-performing virtual teams from low-performing ones. We wanted to help so companies can implement specific high-impact strategies to make their virtual teams more productive.

As part of the study, we administered an online survey to 427 team members and leaders of intact virtual teams. (See the Appendix for demographics and study detail.) In addition, we collected third-party data from ninety-nine

stakeholders—individuals who are very familiar with the teams, such as internal customers or the team leaders' managers—to objectively assess team performance.

And to better understand the common experiences and challenges for virtual team leaders and team members, we conducted more than fifty telephone interviews with virtual team members, team leaders, human resource (HR) professionals, and stakeholders. Plus, in a separate study, we administered an online survey to 304 individuals who worked on virtual teams but were not on the same team.

Given the prevalence of virtual teamwork, our research uncovered several factors that were cause for concern:

- In our study of the 304 individuals who worked on virtual teams, 25 percent reported that their teams were not fully effective.
- Third-party stakeholders who were familiar with a given team's performance were asked to rate its effectiveness. Of forty-eight teams, 27 percent were perceived to be adequate or below adequate in terms of their overall performance.
- When team members and team leaders were asked to assess their effectiveness, 17 percent of the teams rated their own performance as being adequate or below adequate.

The overall performance level of the teams seemed to be up for debate. When we looked at the gap between stakeholders' and team members' rating of the teams' performance levels, we found that there was a significant gap with one-third of the teams. For some of these teams, stakeholders rated team performance higher than team members, and for the remaining teams, stakeholders rated team performance lower than team members. These findings indicate that a significant number of virtual teams are not effective, and perhaps more importantly, that there is a gap in how team effectiveness is perceived that often goes undetected.

Key Challenges

In short, our research found that, while many virtual teams are successful, a significant number are not reaching their full potential. And based on gaps in the perception of team effectiveness, it also appears that many organizations are not even aware that their virtual teams are performing poorly.

A study discussed in the *MIT Sloan Management Review*¹ reinforces our findings. In that study, only 18 percent of the seventy global business virtual teams assessed were found to be highly successful. That means a whopping 82 percent did not achieve their goals!

But why are so many virtual teams falling into these performance traps? In order to answer this question and to better understand the challenges that virtual teams face, we asked hundreds of virtual team members and leaders to select the top three challenges that hinder their teams' performance. Table 1.1 outlines these results.

Perhaps not surprisingly, lack of face-to-face contact was cited as the top challenge. We found that the majority of virtual teams in our study reported meeting in-person only several times per year. However, we did find that lack of face-to-face contact was less of an issue for teams that had an initial face-to-face meeting

Table 1.1 Top Challenges of Virtual Teams

<i>Challenges</i>	<i>Percentage of Responses</i>
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 this team	27%
Team members do not share relevant information with one another	21%
Lack of skill training	20%

within the first thirty to ninety days of working virtually together. Overall, these teams were more effective than teams that had never met up-front.

We also examined whether teams had different challenges based on their level of effectiveness. Interestingly, all the teams in our study, regardless of their performance, reported the same top challenges. However, team members on low-performing teams also reported that their team members were on too many different teams, a factor that was unique to this population.

Several additional challenges were consistently mentioned in our interviews and have also been observed in our work with virtual teams. Surprisingly, team members—and in some cases team *leaders*—frequently lack clarity about who their fellow team members actually are.

That notion becomes less surprising, however, when you consider that many people reported that members of their teams changed monthly. With this common “revolving door” method for staffing teams, you can hardly blame them for not being able to keep up.

And having team members who are here today and gone tomorrow leads to another big challenge for virtual teams—*communication*. The frequent change of team members makes it difficult to find the most effective ways to communicate with one another and to build relationships effectively.

Add to that the fact that often people are invited to be on a given team solely because of political reasons, not because they are meant to contribute in a specific way. What you end up with, and what we found many organizations ended up with, are large virtual teams whose members don’t have clear roles and who may not even know who their fellow team members are.

Now it’s one thing not to know who your fellow team members are. Surely, though, if you are on a virtual team, you at least know who your leader is. Right? Wrong, actually. We found that in numerous instances team members were also unclear

about who their team leader was (despite someone identifying him- or herself as the leader in these cases).

One explanation for these seemingly leaderless virtual teams could be the informal, often opportunistic way in which some virtual teams are formed.

In fact, virtual teams often come together out of nowhere. For example, one of our clients, a global consulting firm, came to the realization that, while the majority of its employees were working on virtual teams, no formal decision had ever been made to move in that direction.

In addition, frequent changes in team membership, a lack of formal on-boarding of new members, members who are simultaneously participating on different virtual teams, and infrequent meetings (virtual or face-to-face) increases the likelihood that someone would not know who his or her team leader is or who fellow team members are. Although these challenges can be daunting, in later chapters, we will discuss what the most effective virtual teams do to successfully overcome these challenges.

Four Pitfalls to Virtual Team Performance

In addition to the performance challenges virtual teams face, four pitfalls also lead to poor performance and, in some cases, to failure. Are these factors present in your organization's virtual teams?

Lack of Clear Goals, Direction, or Priorities

As with any team, virtual or co-located, a lack of clear goals and priorities will inhibit team performance. And because it is tougher to communicate with team members who are geographically distributed and keep them informed, this can be an even bigger problem for virtual teams.

For example, often, team members are not fully informed about changes in focus, which leads to a lack of clarity and

frustration. One virtual team member in our study stated, “While our goals are very clear, they change so frequently, which leads to ambiguity.” The most effective virtual teams reassess goals as priorities shift over time. Teams that do this effectively are usually those with the best leaders. Virtual team leaders are primarily responsible for ensuring goal clarity, resolving conflicting priorities, and ensuring the team is aware of any changes.

When new virtual teams are formed, the most effective teams outline team goals and objectives immediately. Consider two different scenarios: A global engineering team conducted a kick-off meeting to build relationships and outline team goals and responsibilities. During the meeting, the team leader clarified team member roles and established how the team would work together. Once things were underway, the leader used virtual meetings and regularly updated postings on the team’s intranet site to inform team members about any updates and changes over time.

However, in our second scenario, a virtual cross-functional task force from a global investment management company experienced numerous problems with setting expectations and often failed to meet its commitments. One of the virtual team members stated, “People have no idea what our real goals are, as no one has been very clear about this from the start.” The team was eventually disbanded because it had not achieved its objectives. Ironically, the team never knew what they supposed to be or do.

Lack of Clear Roles Among Team Members

In virtual teams, it is especially important for team members to clearly understand their individual roles, specifically who they report to and who reports to them. A poorly designed accountabilities structure can have a huge impact on virtual teams.

For example, if a global product development team is working virtually, it would not be efficient for team members in Asia to have to wait to check on how to proceed on a given initiative

with team members in New York, who start their business day much later. What would work best is if the team members in Asia have the authority to make decisions based on their own scope of work. Designing an effective accountabilities structure minimizes delays and inefficiencies that are common when working virtually.

Given the complexity of some initiatives, role clarity is particularly important in cross-functional virtual teams. High-performing virtual teams establish clear roles up-front and continually reassess and ensure clarity of roles over time.

One global information technology team developed a great way to communicate team member roles. They created a “team handbook,” which provided background on each team member and clearly laid out how each person was to contribute to the team. When questions arose during large, complex projects, team members would consult the handbook to determine which team member to consult with. Many of the less-effective teams in our study did not clarify roles during their launch and often failed to revisit roles as things changed during their projects.

Lack of Cooperation

When a diverse group of individuals is asked to work together to accomplish shared objectives, it takes time to build an atmosphere of collaboration. And because there is a lack of face-to-face contact inherent in virtual teamwork, the process of developing trust and building relationships can be even more arduous.

Conflicts often arise between team members or among factions or cliques. It happens with co-located teams as well and is especially common in large teams where “subgroups” develop. For example, consider a virtual team we worked with that we will call “TeamInnovate.” Two-thirds of the team’s members were located in Philadelphia, and the remaining one-third were scattered in different sites around the world. Naturally, the team members in Philadelphia developed stronger relationships with

one another than they did with the members who worked outside the main “hub.”

Unfortunately, this setup led to the formation of subgroups, which began to impede team collaboration. Several team members routinely worked together on projects and didn’t keep other team members informed, which, over time, led to a lack of trust among team members.

Differences of opinion can also hinder collaboration. The high-performing virtual teams in our study were able to handle conflict better than the low-performing teams. In many situations, team members are simply not equipped with the skills necessary for effectively dealing with conflict, especially when conflicts cannot be resolved through face-to-face interaction.

A finance team in a global manufacturing company experienced this very challenge first-hand. Two separate factions developed due to different team members working closely together in each of two locations. However, team members in one location didn’t collaborate with team members in the other location, which created conflict. In this particular case, team members who were co-located began having their own meetings, and they didn’t include the members in the other location. Eventually, team members began to blame one another for the team’s shortcomings, which, of course, only led to more conflict. Until this problem was addressed with the entire team, the team did not fully meet its objectives and many team members were dissatisfied.

A Lack of Engagement

Many virtual team members in our study reported a lack of engagement that resulted from not feeling challenged, lacking role clarity, having ineffective team leaders, and lacking meaningful goals.

A lack of engagement is not uncommon among virtual team members because it can be difficult to assess other team members’

levels of engagement because they are in different locations and rarely have face-to-face interactions. To avoid this common problem, leaders and team members should proactively look for signs of disengagement.

For example, here are a few assessment questions to ask yourself: *Are all team members contributing to conversations and projects? Are they attending and actively participating in team meetings? Are team members motivated to take on new work or are they feeling overwhelmed? Are people working well together or is there frequent and unproductive team conflict?*

Looking out for these common red flags can help prevent engagement issues from derailing a team.

Let's take another look at "TeamInnovate." Several of the team's members reported feelings of isolation and a lack of connectivity with others on the team. In a virtual setting, this is very common. People easily become bored and "check out" because there is a lack of dynamic face-to-face interaction and because there are more distractions.

One virtual team member expressed frustration with her team, which was not performing effectively: "We are all so used to nonproductive meetings so we typically just mute our phones and don't really pay attention, which isn't effective." So if you are a virtual team leader, be constantly assessing your team members' levels of engagement. If you monitor your virtual team's performance to ensure that the team is always fully engaged, the team's effectiveness will be much improved.

Conclusion

Given the prevalence of virtual teamwork and its importance in achieving business objectives, we were surprised by how many teams are ineffective. But what was most startling is that many companies either do not realize that their virtual teams are underperforming or, despite their investments in these

teams, they do not take the time to focus on enhancing their effectiveness. The good news is that there are numerous strategies that organizations and team leaders can employ that will improve the performance of their virtual teams.

The Bottom Line

Organizations that proactively take steps to support virtual teams as well as periodically assess their effectiveness will see a much better ROI than organizations that are complacent.

