Redefining The Way We Work
Insights from the Virtual Team Effectiveness Study

INTRODUCTION

The Greatest Transformation Happening at Work

One of the greatest transformations to how we work is the rise of the virtual, remote workforce. This massive change is driven primarily by technology, and it has significantly impacted critical talent requirements and workforce skills needed for success.

Over six-months in 2016, hundreds of participants completed an online survey about their experiences leading or participating on a virtual team. Survey participants represented various roles, industries and sizes of organizations. Based on the results of our study on what makes virtual teams effective, we quickly noticed several opportunities and challenges emerging from the rise of the virtual workforce which are captured in this white paper.

For the purposes of this research, a virtual team was defined as a group of people who interact through interdependent tasks guided by a common purpose and work across space, time and organizational boundaries with their work supported by common technologies. Teams with members that occasionally telecommute a few days a week were not included in this study.

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SURVEY PARTICIPANTS

Over a six-month period, 157 participants completed a survey about their experiences leading or participating on a virtual team. Participants had different roles on the team:

Role on a Virtual Team	# of Participants (%)
Members of a virtual team	82 (52%)
Leader of a virtual team	38 (24%)
Executive that supports virtual teams	23 (15%)
Not on a virtual team yet, but will be	14 (9%)

The respondents were from 4 different countries, representing 10 different industries.

- United States (92%)
- Canada (3.2%)
- India (2.5%)
- United Kingdom (.6%)
- Not Identified (3.2%)
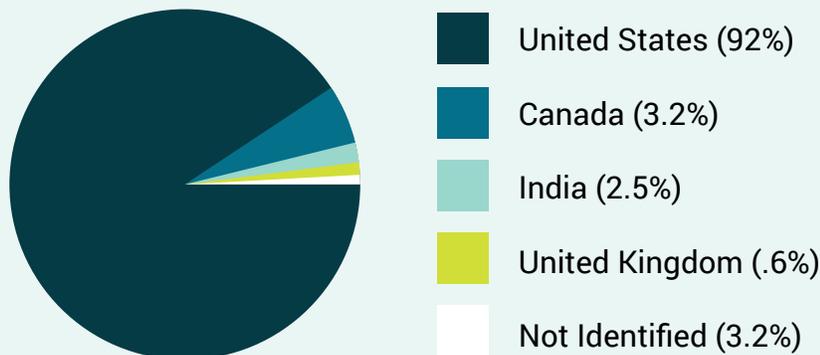
Industry	Percentage
Finance, Insurance and Real Estate	21%
Consulting and Professional Services	16%
Healthcare	8%
Telecommunications	1.3%
Marketing Services	1.3%
Other	.60%
Manufacturing	.60%
Acquisition, Management and Collections	.60%
BPO	.60%
Logistics	.60%
Senior living	.60%

The respondents also worked for a broad range of size in terms of number of employees (50 employees – 5,000 employees and revenue ($1M - $1B+)

Company Annual Revenue	Percentage
$1 billion+	13%
< $1 million	7%
$1-5 million	6%
$250-500 million	6%
$100-250 million	5%
$5-10 million	4%
$20-50 million	3%
$10-20 million	2%
$500 million-1 billion	2%
$50-100 million	1%
Not indicated	52%

# of Employees	Percentage
251-1,000 employees	16%
5,000+ employees	14%
51-250 employees	13%
50 employees or less	7%
1,001-5,000 employees	3%
Not indicated	47%

Most of the respondents (73%) indicated that all team members are in the United States and the most common frequency for meeting in person is monthly or weekly.

Where are the members of the virtual team located?	Percentage
All in the U.S.	27%
In different countries	16%
All in the same country (other than the U.S.)	2%
Not indicated	9%

Company Annual Revenue	Percentage
Monthly	27%
Weeky	21%
Never	9%
Once a Year	8%
2-3 Times a Year	6%
4-6 Times a Year	6%
Bi-Monthly	5%
Other - Please Indicate	5%
Several Times a Week	3%
Bi-Weekly	1%
Not Indicated	9%

KEY FINDINGS FROM THE DATA
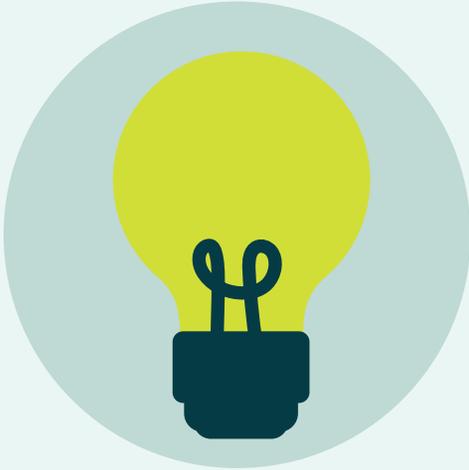
Executives view virtual teams a means to getting the right people to work together regardless of location and as a means of cost savings. Team Leaders and Team Members see virtual teams as a means to increase productivity and improve work-life balance.

Two-thirds of team leaders and half of executive estimate that virtual teams save costs equivalent to 16 – 25% of revenue.

Newly formed virtual teams struggle the most with how to communicate and effectively use technology. However, new virtual teams that figure out how to do this well are more likely to accomplish their goals and be responsive to customers. Conversely, teams that have been together for more than a year reported a need to focus on how to work through conflict and build strong relationships.

Virtual teams that focus on building connection, set standards for how they work together, and have strong working relationships are more likely to be effective.
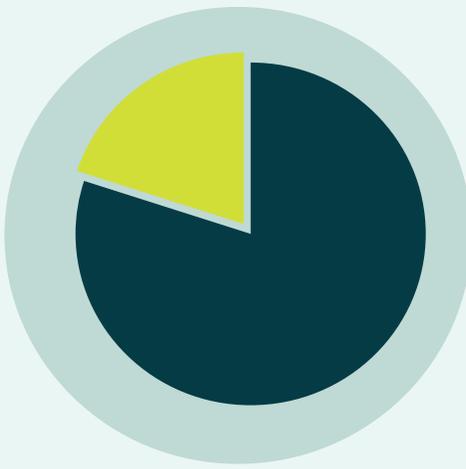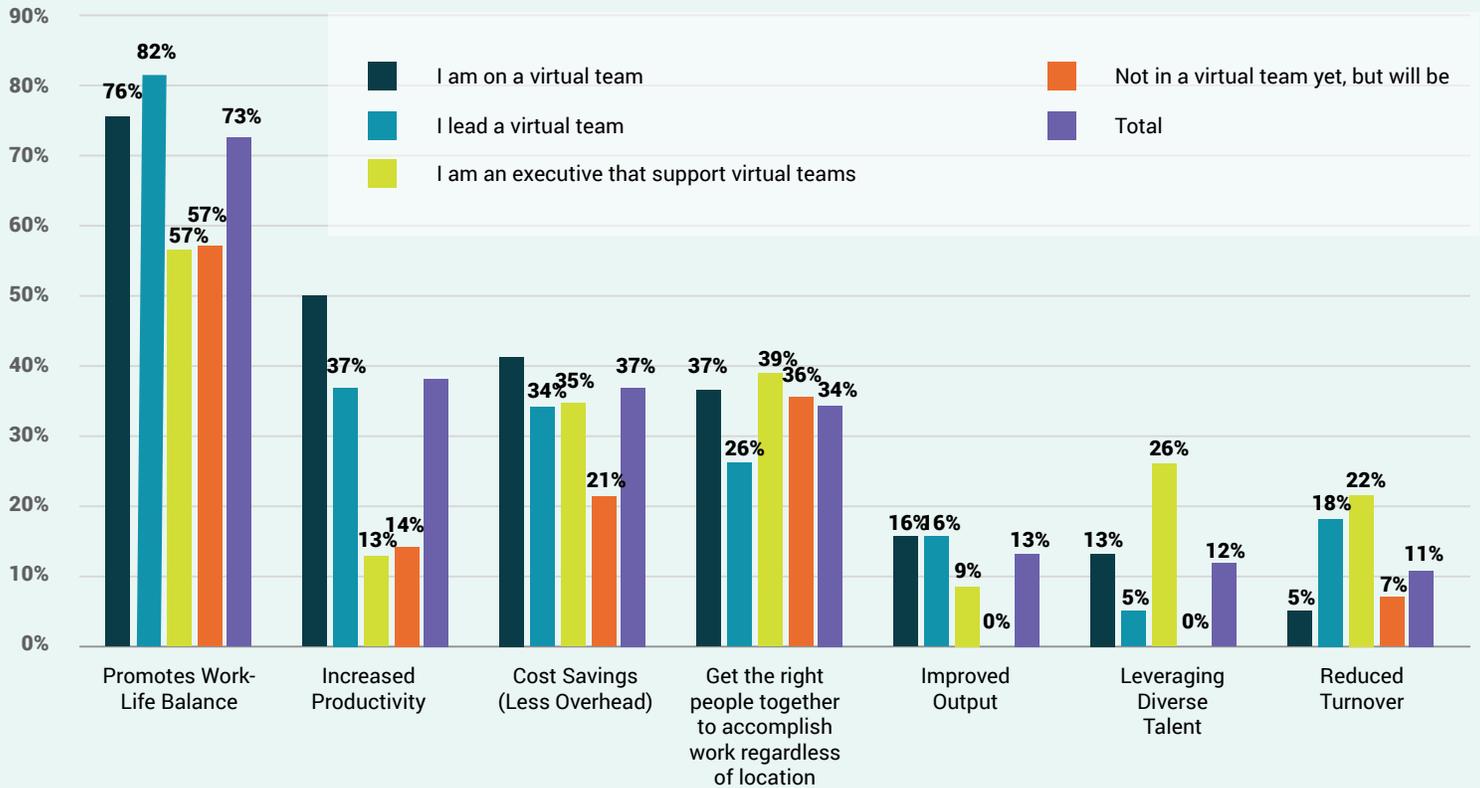
41% of the teams surveyed meet in-person at least monthly. Teams that meet in-person very frequently or very in-frequently had higher effectiveness ratings that those that meet in-person 2-6 times a year.

The best predictors of virtual team effectiveness are accountability, effective use of technology, and understanding cultural differences.

THE GREATEST BENEFITS OF VIRTUAL TEAMS

Virtual team members, leaders, and executives all agree that a main benefit of virtual teams is to promote work-life balance. Team members and leaders also see virtual teams as a way to increase productivity while Executives view virtual teams as a good way to get the right people to work together regardless of location and as a means of cost savings.

Bar chart legend:
- I am on a virtual team
- I lead a virtual team
- I am an executive that support virtual teams
- Not in a virtual team yet, but will be
- Total

Data values by category:

Promotes Work-Life Balance: 76%, 82%, 57%, 57%, 73%
Increased Productivity: 50% (approx), 37%, 13%, 14%, 38% (approx)
Cost Savings (Less Overhead): 41% (approx), 34%, 35%, 21%, 37%
Get the right people together to accomplish work regardless of location: 37%, 26%, 39%, 36%, 34%
Improved Output: 16%, 16%, 9%, 0%, 13%
Leveraging Diverse Talent: 13%, 5%, 26%, 0%, 12%
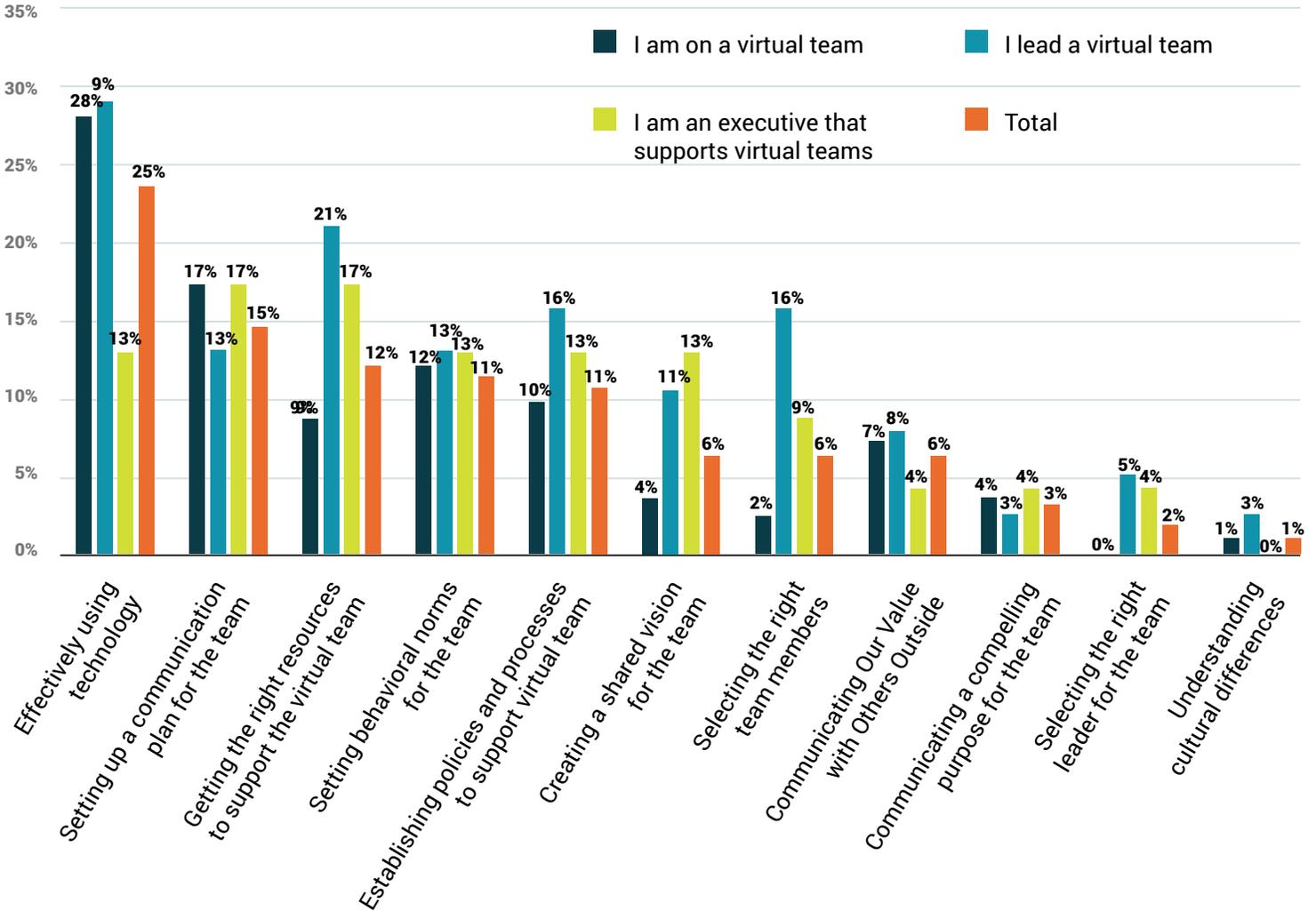**Reduced Turnover:** 5%, 18%, 22%, 7%, 11%

Regarding the benefits of virtual teams, we asked Team Leaders and Executives to estimate the cost savings of using virtual teams as a percentage of revenue. Half of team leaders and a third of executives said that they did not know the cost savings. However, of those who could estimate savings, two-thirds of team leaders and half of executives estimated a cost savings of 16 -25% of revenue. Clearly there is an opportunity for leaders to better understand the cost saving of virtual teams, however those that do indicate it is significant.

Cost Savings as a % of Revenue	Team Leader Estimate of Cost Savings	Executive Estimate of Cost Savings
0%	6%	7%
1-5%	17%	7%
6-15%	11%	27%
15-25%	67%	53%
26-50%	0%	4.3%

THE GREATEST CHALLENGES OF VIRTUAL TEAMS

While there are some clear benefits to working on virtual teams, it also has its challenges. We asked Executives, Leaders and Team Members about the biggest challenges when moving to a virtual team structure. The biggest challenges for newly formed virtual teams are figuring out how to effectively use technology and defining how to best communicate. Team Leaders also indicate that they struggled with getting the resources that they need to support the team.

Biggest challenges for newly formed virtual teams

Legend:
- ■ I am on a virtual team
- ■ I lead a virtual team
- ■ I am an executive that supports virtual teams
- ■ Total

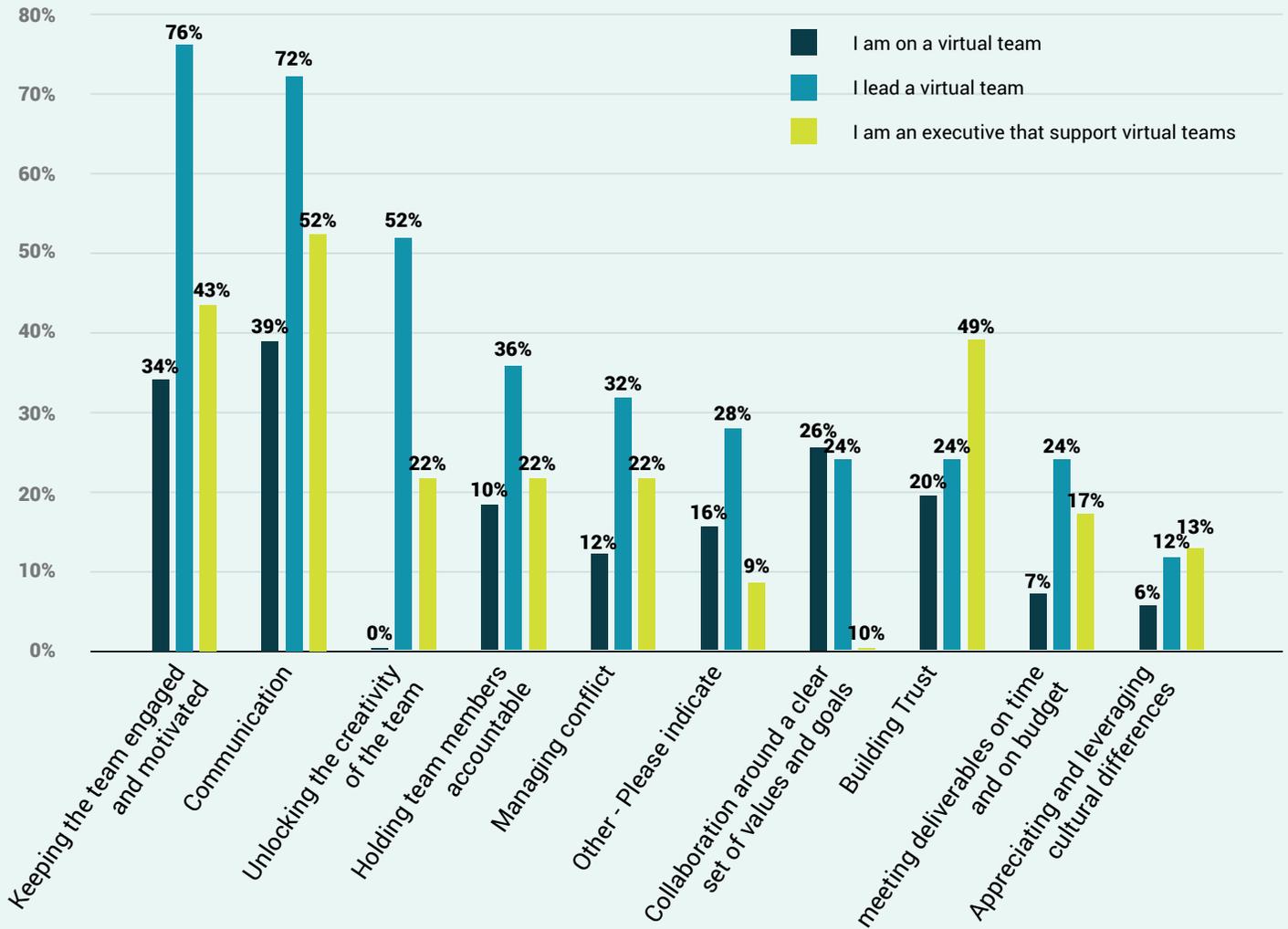| Challenge	I am on a virtual team	I lead a virtual team	I am an executive that supports virtual teams	Total
Effectively using technology	28%	9%	13%	25%
Setting up a communication plan for the team	17%	13%	17%	15%
Getting the right resources to support the virtual team	9%	21%	17%	12%
Setting behavioral norms for the team	12%	13%	13%	11%
Establishing policies and processes to support virtual team	10%	16%	13%	11%
Creating a shared vision for the team	4%	11%	13%	6%
Selecting the right team members	2%	16%	9%	6%
Communicating Our Value with Others Outside	7%	8%	4%	6%
Communicating a compelling purpose for the team	4%	3%	4%	3%
Selecting the right leader for the team	0%	5%	4%	2%
Understanding cultural differences	1%	3%	0%	1%

As noted above, learning how to leverage technology and effective communication are critical to newly formed virtual teams. Not only is this a potential pain point for team members and leaders, but these two topics impact the teams' results as well. Newly formed teams that indicated they are effectively using technology were three times more likely to say they are highly productive. Newly formed teams that indicated they are very effective at communication are 12 more likely to accomplish their goals and 55 times more likely to be responsive to customers.

Once virtual teams are established, keeping the team engaged and motivated is by far the biggest challenge, along with continuing to focus on effective communication. Perhaps not surprisingly, communication seems so to have a big impact on engagement levels. Established teams that reported that they were effectively communicating were 19 times more likely to say the members of their team were highly engaged.

While communication and engagement are common challenges for any team, differences in time zones and lack of face-to-face interactions contribute to the unique opportunities of working virtually.

Biggest Challenges for Seasoned Virtual Teams

Legend:
- I am on a virtual team
- I lead a virtual team
- I am an executive that support virtual teams

Challenge	I am on a virtual team	I lead a virtual team	I am an executive that support virtual teams
Keeping the team engaged and motivated	34%	76%	43%
Communication	39%	72%	52%
Unlocking the creativity of the team	0%	52%	22%
Holding team members accountable	10%	36%	22%
Managing conflict	12%	32%	22%
Other - Please indicate	16%	28%	9%
Collaboration around a clear set of values and goals	26%	24%	10%
Building Trust	20%	24%	49%
meeting deliverables on time and on budget	7%	24%	17%
Appreciating and leveraging cultural differences	6%	12%	13%

NEW TEAMS vs. ESTABLISHED TEAMS

In an attempt to better understand how virtual teams evolve as they work together over time, we also took a look at how newly formed teams and established teams rated their effectiveness on a variety of factors.
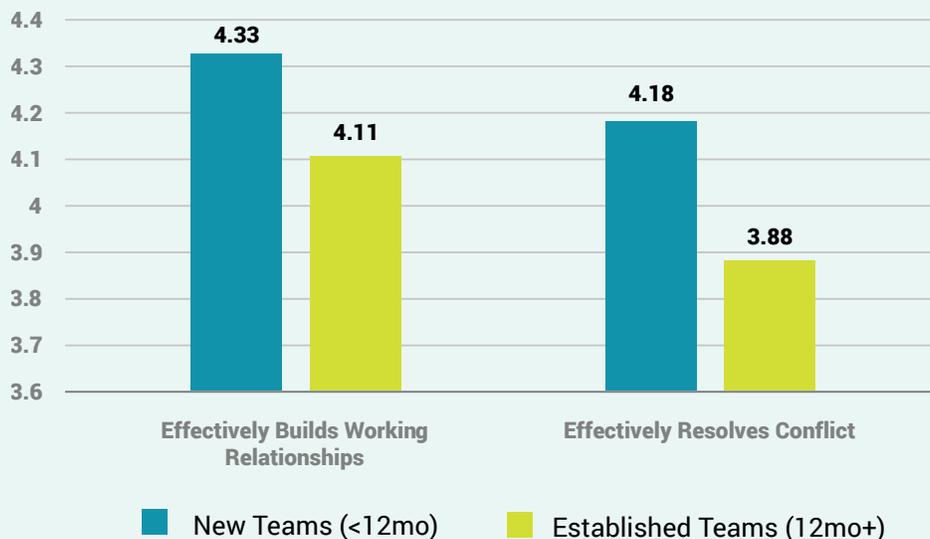
As might be expected, established virtual teams (those that had been working together for 12 months or longer) rated their effectiveness (in terms of meeting goals, productivity and engagement levels) higher (mean = 4.4) than newly formed teams (teams that had been working together for <12 months) (mean = 4.2).

Team Outcomes by Team Tenure

	New Teams (<12mo)	Established Teams (12mo+)
Accomplish Goals	4.08	4.33
Team Productivity	4.25	4.5
Team Engagement	4.17	4..34

However, teams that had been together for more than 12 months also reported bigger challenges in terms of **how** they work together, especially when it comes to resolving conflict and building strong working relationships.

Relationshis by Team Tenure

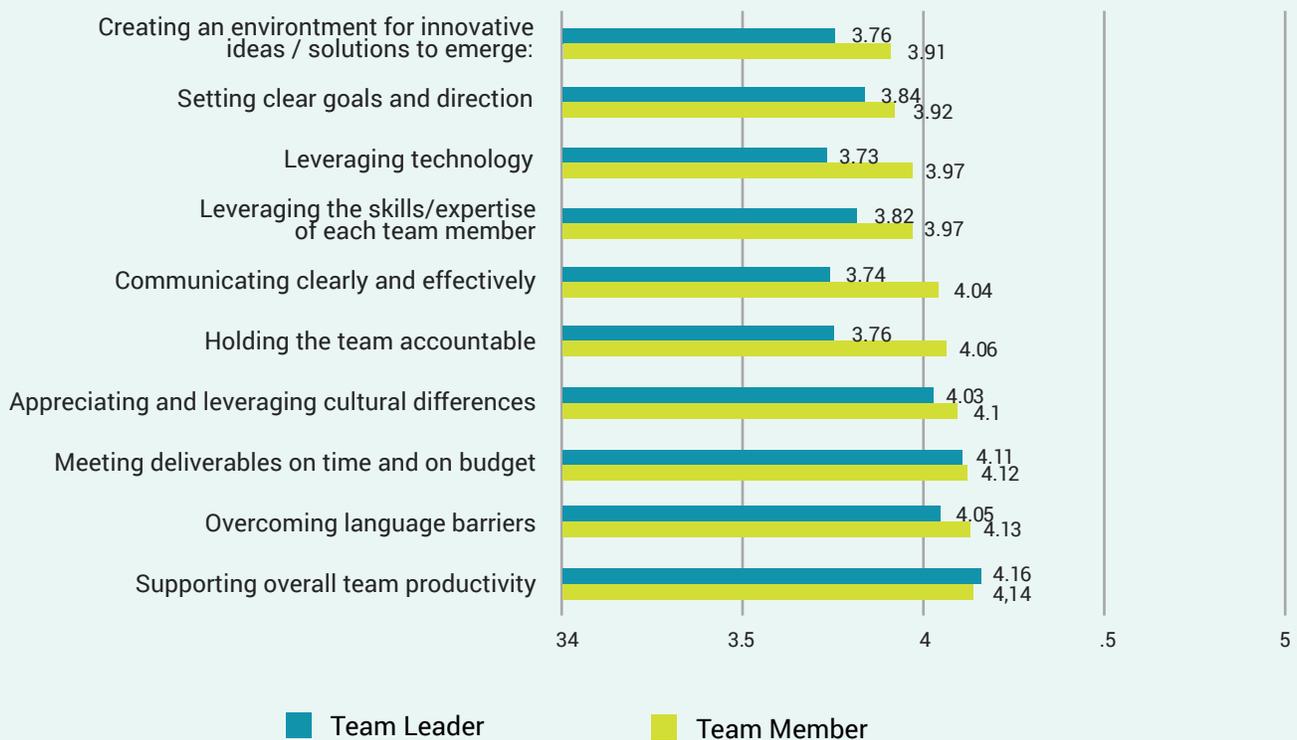|	New Teams (<12mo)	Established Teams (12mo+)
Effectively Builds Working Relationships	4.33	4.11
Effectively Resolves Conflict	4.18	3.88

This suggests that it's not enough to focus on ensuring strong norms and accountability for behavior early on, but is something that requires ongoing attention and commitment.

GREATEST OPPORTUNITIES FOR LEADERS OF VIRTUAL TEAMS

We asked Executives, Team Leaders and virtual Team Members about the effectiveness of the team leaders. Executives gave the lowest effectiveness ratings of virtual Team Leaders and saw the biggest opportunities for improvement as leveraging the skills of each team member, leveraging cultural differences, and setting clear goals.

Team Members and Leaders indicate the leaders of virtual teams could be more effective in creating an environment that is conducive to innovation, setting clear goals, and again, how to best leverage technology.

Team Leader Effectiveness (1 = Very Ineffective ; 5 = Very Effective)

Category	Team Leader	Team Member
Creating an environtment for innovative ideas / solutions to emerge:	3.76	3.91
Setting clear goals and direction	3.84	3.92
Leveraging technology	3.73	3.97
Leveraging the skills/expertise of each team member	3.82	3.97
Communicating clearly and effectively	3.74	4.04
Holding the team accountable	3.76	4.06
Appreciating and leveraging cultural differences	4.03	4.1
Meeting deliverables on time and on budget	4.11	4.12
Overcoming language barriers	4.05	4.13
Supporting overall team productivity	4.16	4,14

Axis: 34   3.5   4   .5   5

■ Team Leader   ■ Team Member

HOW WELL VIRTUAL TEAMS WORK TOGETHER

Leading and working on a virtual team requires a unique set of behaviors. Interestingly, team members view the teams as most effective in terms of how they work together, and Executives see the biggest opportunities for improvement. Resolving conflict, accountability, and communication are some of the biggest challenges.

1 = Very Ineffective; 5 = Very Effective	Team Member	Team Leader	Executive
Overcoming language barriers	4.3	4.1	2.9
Building strong working relationships	4.1	3.9	3.4
Appreciating and leveraging cultural differences	4.1	3.9	3.2
Leveraging technology	4.2	3.7	3.1
Leveraging the skills/expertise of each team member	4.1	3.7	3.2
Holding team members accountable	4.1	3.7	3.1
Communicating clearly and effectively	4.1	3.7	3.1
Resolving conflict	3.9	3.5	3.1
Average	4.2	3.7	3.1

Similarly, members of virtual teams see themselves as more engaged than the perceptions of executives.

1 = Very Ineffective; 5 = Very Effective	Team Member	Team Leader	Executive
How would you rate the engagement level of your virtual team?	4.3	4.2	3.6

Although team members view themselves as engaged, there are behaviors that lead to higher levels of engagement. Teams that indicate they:

- Have strong working relationships are 34 times more likely to be highly engaged
- Hold one another accountable are 21 times more likely to engaged
- Appreciate and leverage cultural differences are 18 times more likely to be engaged

This indicates that to build engagement in a virtual environment, it's imperative to focus on building trust and open relationships where people feel safe to speak up and hold one another accountable.

HOW EFFECTIVE VIRTUAL TEAMS
ARE AT ACCOMPLISHING RESULTS

Again, Executives have a more critical view of how well virtual teams are accomplishing results compared to team members and team leaders.

1 = Very Ineffective; 5 = Very Effective	Team Member	Team Leader	Executive	Total
Responding to customers (internal/external):	4.5	4.2	3.5	4.3
Overall team productivity	4.5	4.2	3.6	4.2
Meeting deliverables on time and on budget	4.4	4.0	3.3	4.1
Accomplishing goals	4.3	4.0	3.6	4.1
Coming up with innovative ideas/ solutions	4.1	3.7	3.5	3.9
Average	4.3	4.0	3.5	4.1

FACTORS THAT LEAD TO EFFECTIVENESS

■ From the team member point of view, there are some key factors that lead to team effectiveness.

Teams that rate themselves as effective at using technology are:

- **98 times** more likely to come up with innovative solutions
- **74 times** more likely to deliver on time and within budget
- **37 times** more likely to accomplish their goals

Teams that build strong working relationships are:

- **47 times** more likely to come up with innovative solutions
- **40 times** more likely to deliver on time and within budget
- **34 times** more likely to be highly engaged
- **26 times** more likely to be highly productive

Teams that set and adhere to standards for how the team works together are:

- **39 times** more likely to come up with innovative solutions
- **28 times** more likely to be highly productive
- **18 times** more likely to accomplish their goals

■ From the point of view of executives and leaders of virtual teams, holding team members accountable is critical for success.

When virtual team leaders and executives indicated the team had high levels of accountability, they were:

- **32 times** more likely to indicate the team accomplishes its goals
- **41 times** more likely to indicate the team meets deliverables on time and within budget
- **24 times** to view the team as effective in responding to customers

From the Executive and team leader point of view, communication is also viewed as critical. **When virtual team leaders and executives viewed communication within the team as strong, they were:**

- **31 times** more likely to indicate the team accomplishes its goals
- **21 times** to view the team as effective in responding to customers

HOW OFTEN DO TEAMS MEET IN PERSON

We asked survey participants how often their virtual team meets in-person. Interestingly, 41% of survey respondents indicate that although they are a virtual team, they still meet in-person monthly.
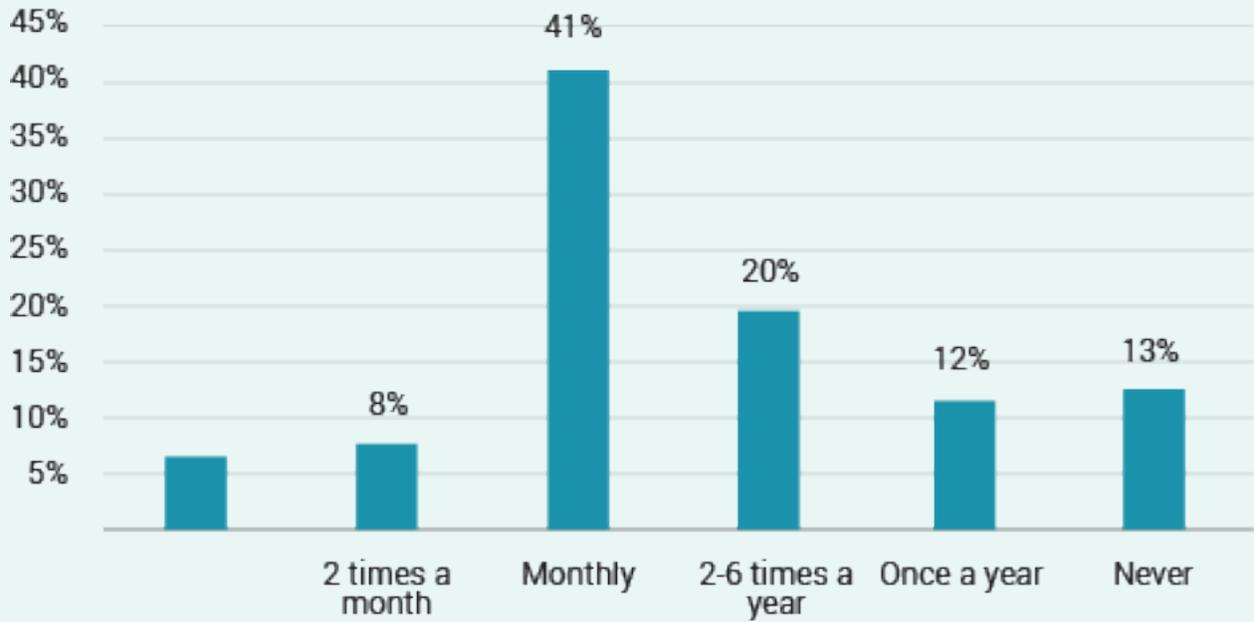

We also wanted to understand how the frequency of in-person meetings impacted the perceptions of behaviors and results of the team. As can be seen in the table below, teams that meet at least weekly reported the highest ratings of effectiveness (as defined by meeting their goals, team productivity and engagement). Teams that meet only once a year in-person or never, had higher effectiveness ratings than those that meet 2-3 times or 4-6 times a year.

### Frequency of In-Person Meetings and Team Effectivness (meet goals, productivity & engagement)
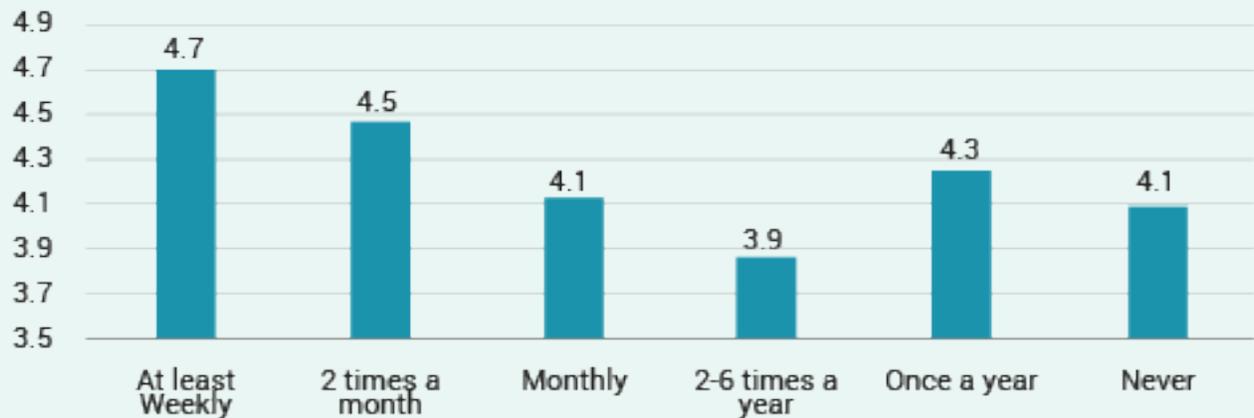
As far as how teams work together, the frequency of in-person meetings also had an impact on the team's ability to overcome language barriers, and utilize the skills and expertise of each team member. It is not clear why regular in-person meetings or very infrequent meetings would lead to improved team effectiveness. More research is warranted to better understand if there are other variables at play or if there truly is a downside to meeting a few times a year.

Frequency of In-Person Meetings and Overcoming Language Barriers

At least Weekly: 4.5
Bi-monthly: 4.3
Monthly: 3.8
2-6 times a year: 3.3
Once a year: 4.3
Never: 4.2
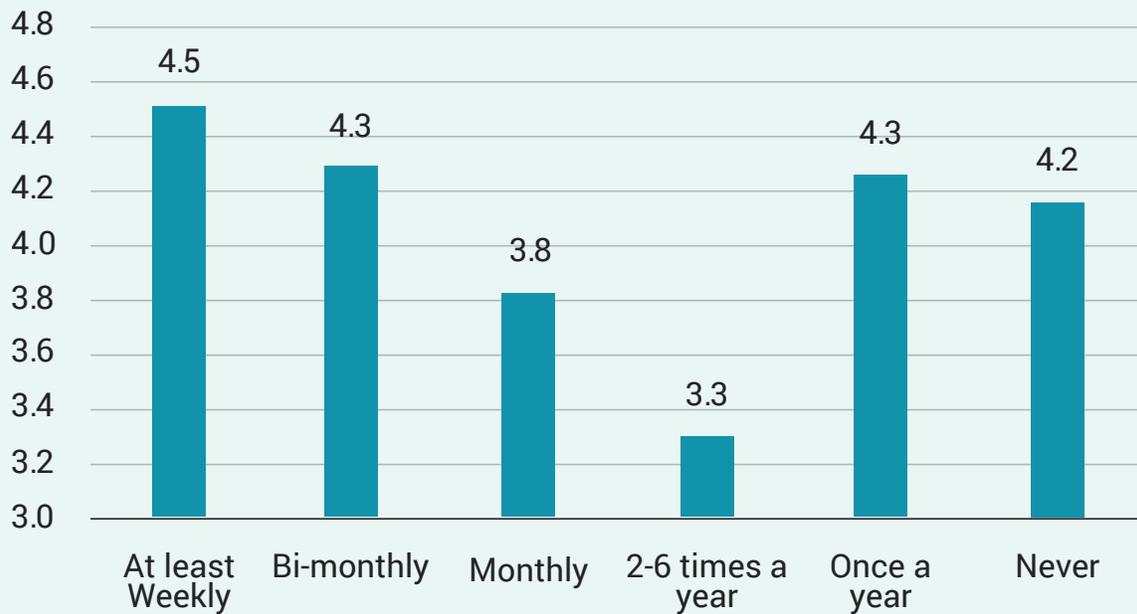
Statistically significant at $p < .05$

Frequency of In-Person Meetings and Effectiveness at Leveraging the Skills and Expertise of Team Members

At least Weekly: 4.1
Bi-monthly: 4.1
Monthly: 3.8
2-6 times a year: 3.4
Once a year: 4.3
Never: 3.8
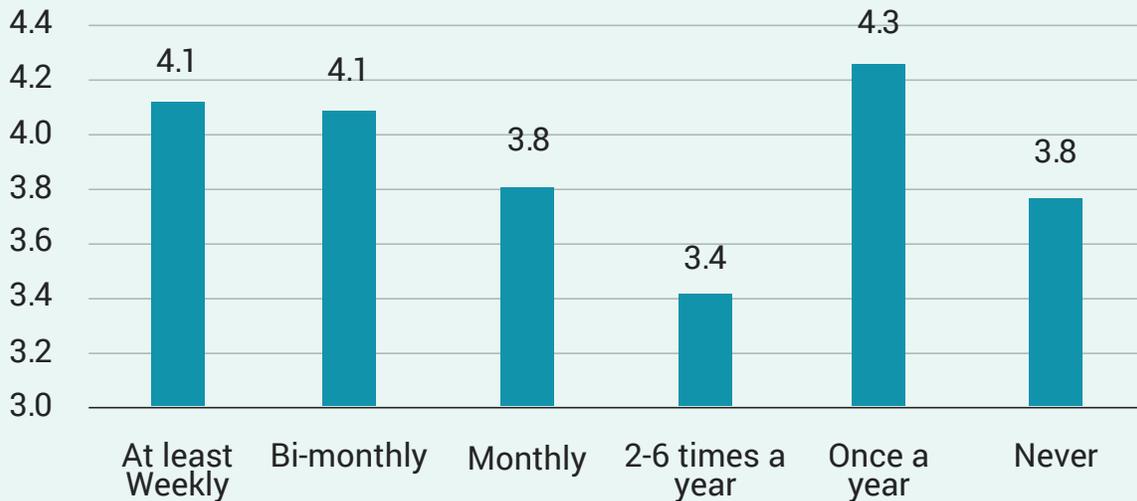
Statistically significant at $p < .06$

BEST PREDICTOR OF
VIRTUAL TEAM EFFECTIVENESS

While all the topics measured on this survey are important to a successful virtual team, we wanted to understand which areas had the biggest impact in predicting what teams would be rated as effective (defined as meeting goals, productivity and team engagement). Stepwise regression analysis (using feedback from all rater types) indicates that the following factors are the best predictors of overall team effectiveness are (R square = .82; $p < .05$):

• Holding team members accountable (R square = .70)
• Leveraging technology (R square = .79)
• Appreciating cultural differences (R square = .82)

WHAT CAN WE LEARN ABOUT
VIRTUAL TEAM EFFECTIVENESS

To summarize what we can learn from the results of this study, it's important to recognize that there are clear benefits of having a virtual workforce including reduced operational costs, higher productivity, improved work/life balance, satisfaction levels and more.

Companies are launching head first into establishing virtual teams, without taking into consideration their unique needs. For example, organizations from our study have embraced remote work and invested in technology solutions without defining and understanding the critical needs of their newly formed teams versus their seasoned teams. Interestingly, their needs are different and technology continues to influence how virtual teams function in important ways.

Emotional intelligence and connection building skills are imperative to virtual team cohesiveness and it begins with the leader. Most companies surveyed aren't doing a good job of defining the competencies and behaviors that make a virtual leader successful or offering development to help get them up to speed. Especially if the leader is switching from a traditional IRL (in real life) team environment to a virtual team environment.

Our data analysis of the research found that a few important best practices for virtual teams exist that lead to high levels of team effectiveness that included holding team members accountable, appropriately leveraging technology and appreciating cultural differences.

THE RESEARCH TEAM :

Powers Resource Center exists to create a culture of connection between leaders and teams and launched this research survey to learn more about how virtual teams differ from co-located teams. PRC focuses on delivering strategic, customizable solutions that create valuable change for people and teams. With award-winning leadership programs and workshops, PRC supports companies that care deeply about building cohesive teams and helping leaders do the best work of their lives. Find out more at www.powersresourcecenter.com.

Support for the Virtual Team Survey and data analysis was also provided by Kelly Doyle Duncan, of Powers Resource Center, and Newmeasures, LLC., a consulting firm specializing in survey design, employee engagement and business analytics.

If you would like more information about this survey or would like Tara Powers, CEO of Powers Resource Center to speak to your virtual leaders and teams, please inquire at Speaking@PowersResourceCenter.com or call 720.295.3302