

Chapter 1: Introduction and Rationale

Overview

It is commonly argued that globalization of trade and production, new consumer needs and behaviours, changes in the markets, as well as technological innovations demand new work forms in companies and organisations. 'Pressure from the complex and turbulent competitive environment of the information economy has led to the emergence of new work designs' (Maruping & Agarwal, 2004, p. 975). In order to cope with the new and fast-paced business environment, virtual teams have become an important element of many companies and organisations (Jarvenpaa & Ives, 1994; Hertel et al., 2005), and have therefore captured the imagination of academics and practitioners around the globe (Baker, 2002; Kirkman et al., 2004; Maruping & Agarwal, 2004). The research area is inter-disciplinary; references can be found in social sciences, communication, organisational behaviour, information systems, computer supported teams, distance learning, business administration, and management.

In recent years, more and more virtual teams have emerged in IT companies around the globe. By virtue of the increasing cost pressure in this industry, a steadily rising number of employees working in areas without direct customer contact such as call centres or after-sales support are placed in so-called low-wage¹ countries (e.g. India, Slovakia, Czech Republic). Moreover, virtual teams enable companies to pool talents and experts throughout the world (Furst et al., 2004). As a result, these effects of globalisation lead to an environment in which managers and those who directly report to them are physically separated. However, '... there is growing evidence that virtual teams fail more often than they succeed' (Furst et al., 2004, p.

¹ In the literature, the terms low-wage and low-cost are often used interchangeably.

6). In many cases, team managers are not sufficiently, or not at all prepared for their leadership role in a virtual team environment (Hertel et al., 2005). The European management of one of the world's largest computer maker XYZ Inc², for instance, was not prepared for this change. Most of today's managers gained their management experience with local team members, but now find themselves in a virtual team situation – without having studied the theoretical background or having previous practical experience. In XYZ Europe's marketing department, the change from local to virtual team management was just implemented - virtually overnight - in February 2003, without prior training or preparation for staff or managers. Since then, no time or effort has been invested in understanding virtual team management better. At XYZ Europe, some results of this fast and harsh change from local to virtual personnel management became rapidly visible. These include employees and managers complaining of lack of control³, missing team spirit, more complicated team leadership due to the prevalent absence of non-verbal communication, proliferation of phone conferences or full email inboxes, all of this resulting in demotivated staff, managerial ineffectiveness, and finally poor results. As a result, XYZ Europe noticed a higher personnel fluctuation and falling employee satisfaction. This was revealed in the results of the internal and anonymous employee survey that takes place twice a year. One area of the survey deals with satisfaction, e.g. 'Do you consider staying at least 18 more months at XYZ?' or 'Would you recommend XYZ as an employer to friends?' Afterwards, each manager is encouraged to discuss the team-related results of the survey and to take measures in order to improve the highlighted problems. This real-world managerial problem became one of the top priorities⁴ of XYZ's CEO for 2005. Hence, this DBA project 'Managing Virtual Teams: A Case Study at XYZ Europe' addresses

² Headquarter in the USA

³ Due to the fact that the team manager and team members are geographically dispersed.

⁴ The first survey revealed that more than fifty percent of the employees are overall not happy or satisfied with their job situation and are therefore looking for alternatives, also outside of XYZ. Consequently, this managerial problem became a top priority.

this challenge and attempts to bridge the gap between theory and practice, between the academic and practical world.

The central research question is:

What makes for the successful management of a virtual team?

Since my research is also intended to improve the current manner of managing virtual teams at XYZ Europe, the following preliminary question needs to be answered first:

How does virtual team management at XYZ Europe currently work?

The findings related to the preliminary question reveal and describe how virtual teams are currently managed in XYZ Europe's real-world environment. The research design is structured in a way to address both questions.

Research Gap and Rationale for this Research

On the one hand, numerous articles written by practitioners are interesting and promising (Kirkman et al., 2004, p. 175), but most of them lack theoretical and academic thoroughness or are too anecdotal in nature. On the other hand, empirical studies meeting academic requirements (Jarvenpaa et al., 1998; Jarvenpaa & Leidner, 1999; Roebuck et al., 2004) mostly

used students performing artificial tasks with unrealistic time limits. To understand what is required for virtual teams, studies examining ongoing virtual work teams performing meaningful, complex tasks in business organizations are now needed (Kirkman et al., 2004, p. 175).

In other words, the theoretical assumptions gained from experimental settings need to be examined against real-life conditions (Hertel et al., 2005). Even though virtual teams are becoming increasingly important in various fields, ‘little is known about the management of virtual teams and the human resources’ (Hertel et al., 2005, p. 89). My DBA project is intended to make a contribution in filling this gap in the existing literature by conducting research in XYZ Europe's marketing department. More precisely, this dissertation attempts to apply as well as challenge the existing knowledge and findings about virtual teams. The research framework is embedded in this particular real-world context for two reasons:

- a) to apply and test current theories as well as develop them further
- b) to solve a real-world problem at an international IT company

Depending on the findings of the study, this dissertation may or may not support the existing theory and models in the light of XYZ Europe. In addition, this applied research project is expected to solve, or at least improve, a real-world managerial problem bridging theory and practice. The theory and practical knowledge generated from this study will, hopefully, be an original contribution to the body of knowledge in the emerging field of virtual team management in international companies in Europe.

Theoretical and Practical Aims

From a theoretical point of view, this work attempts to contribute to the existing literature in three ways. First, the latest models of virtual team management (Furst et al., 2004; Kerber & Buono, 2004; Maruping & Agarwal, 2004) are applied and examined in the real-world environment of XYZ Europe. Second, in the light of my research findings, it may prove possible to refine current models, or even to develop a new model. Finally, it fills a gap in the literature mentioned above.

The practical component of my project consists of two parts. Its first objective is to investigate the current mode of virtual team management at XYZ Europe in order to understand its key elements and processes better. Using these findings, the second objective is to create an easy-to-use, practical model or set of recommendations, directed towards helping acting managers at XYZ or other companies to lead and organise virtual teams more efficiently through a better understanding of the key success factors and virtual team members' needs.

Boundaries and Limitations

As my research was conducted in XYZ Europe, the findings are therefore not necessarily applicable to other geographic regions or cultural settings. Furthermore, the sample size of this study is small and consequently does not claim to have statistical relevance. Following the paradigm of this project (see Chapter 3), the purpose was to capture a rich and broad understanding of virtual team management, to comprehend the lived experiences of the research objects (interviewees), and finally to provide managerial recommendations for practitioners.

Chapter 2: Literature Review

The only thing I know is that I do not know anything.

Socrates, 470 - 399 B.C.

Introduction

Virtual teams represent an emerging work form and have attracted attention both in theory and practice (Maruping & Agarwal, 2004). As the research spectrum of virtual teams is interdisciplinary, articles, books and other references in areas like business administration, management, team building, distance learning, computer mediated communication, organisational behaviour, and social sciences in general, are considered. Furthermore, since the overall aim of this applied research is to improve the understanding of both the nature of virtual teams in general (theory), and of the challenge of managing virtual teams in European IT companies (practice), this chapter will review the literature relevant to virtual team management in international business environments.

Content and Structure

Since virtual teams are an emerging field in theory, there is a variety of different views and definitions of virtual teams. These are considered and discussed, resulting in a definition suitable for this research project. In addition, characteristics of virtual teams, as well as similarities and differences compared to non-virtual teams, are investigated. Moreover, existing virtual team models are studied and examined for their applicability in practice. Furthermore, two key components of virtual team management, communication and trust, are examined. Even though the research is conducted in an IT company in Europe, this chapter reviews the literature found in other continents in order to provide a broader context for my particular topic.

Current Definitions of Virtual Teams

The existing literature heavily uses the prefix *virtual*: virtual corporation (Davidow & Malone, 1993), virtual teams (Lipnack & Stamps, 1997), virtual task (Mowshowitz, 1999), virtual alliance (Strader et al., 1998), virtual collaboration, virtual organisations (Drucker, 1988; DeSanctis & Jackson, 1994; Lipnack & Stamps, 1997), or virtual project teams. All these terms could be summarised as a kind of virtual *form* (Palmer & Speier, 1997). Before talking about virtual teams, however, it is important to define the expression team itself. What is a non-virtual, that is, a traditional team or collocated⁵ team? One of the most cited and widely accepted definition comes from Katzenbach and Smith (1993) in their book *Wisdom of Teams*:

A team is a small number of people with complementary skills who are committed to a common purpose, performance goals, and approach for which they are mutually accountable (p. 45).

How do traditional teams differ from virtual teams? For Grosse (2002), a team becomes virtual if it conducts its work almost entirely through electronic technology. Bell and Kozlowski (2002) define the difference between traditional and virtual teams as follows: 'it is the absence of this proximal, face-to-face interaction between members of virtual teams that makes them virtual' (p. 22). Other authors further define by adding that virtual team members are geographically and organisationally dispersed, rarely meet face-to-face, and rely heavily on technology for task-related communication (Cascio, 2000; Joy-Matthews & Gladstone, 2000). Similarly, Townsend and DeMarie (1998) define virtual teams as

⁵ Team members working in the same office (not geographically dispersed).

groups of geographically and/or organizationally dispersed co-workers that are assembled using a combination of telecommunications and information technologies to accomplish an organizational task (p. 18)

that rarely or even never meet face-to-face. In the most extreme version, team members have different native languages, remain on different continents in different countries, interact primarily through computer mediated communication (CMC), communicate mostly in English, and rarely or even never see or even speak to one another (Knoll & Jarvenpaa, 1995). Finally, Gibson and Cohen (2003) combine and refine the above mentioned definitions and consider a team as virtual team if it has three specific attributes:

- *It is a functioning team - a collection of individuals who are interdependent in their tasks, share responsibility for outcomes, see themselves and are viewed by others as an intact social unit embedded in one or more social systems, and collectively manage their relationships across organizational boundaries (Alderfer, 1977; Hackman, 1987)*
- *The members of the team are geographically dispersed*
- *The team relies on technology-mediated communications⁶ rather than face-to-face interaction to accomplish their tasks (p. 4)*

In addition, Gibson and Cohen (2003) not only discuss what they think a virtual team is, but also what it is not:

A virtual team is not the same thing as a cross-functional team, a multi-organizational team, or a multicultural team. This is because it is possible for

⁶The terms computer mediated communication (CMC), technology mediated communication (TMC), and electronically mediated communication (EMC) seem to be applied interchangeably throughout the literature. Some authors even used the various terms on the same page. For this dissertation, only electronically mediated communications (EMC) will be used from now on.