

### What is Virtual Distance?



**Virtual Distance™** is defined as the perceived distance between two or more people, groups, teams, organizations, or networked enterprises, brought on by pervasive electronic communication and resulting changes in behavioral norms, regardless of whether people are separated by millimeters, miles, or continental masses.

**Virtual Distance** is measured using the **Virtual Distance Index™** - a proven set of quantitative metrics.

**Virtual Distance Index** scores are compared against critical success factors such as financial performance and innovation to uncover specific problems germane to the organization, team, network, etc.

The **Virtual Distance Method™** is then used to deliver solutions that address **the root causes** of problems arising in the virtual workplace and global network.

**Virtual Distance** can be **predicted**. Therefore, outcomes such as financial performance and innovation can be predicted, in part, by investigating potential **Virtual Distance** issues in “what-if” scenario planning.

**Ambassadorial Leadership™** - an enhanced leadership style required for those responsible for innovation and performance in the Information Age - is needed to address Virtual Distance issues.

**Ambassadorial Leaders** will be those that are able to manage **Virtual Distance** throughout organizational systems and **protect the organization against its downside risks**.

*Virtual Distance therefore, is a measure, a method, and a mindset.*

But why does understanding **Virtual Distance** and measuring its effects, mean the difference between long-term competitive advantage and organizational failure?

To answer this question, we first have to take a moment to step back and look at the Big Picture – the traditional dynamics that have become inherent in our organizational structures and norms, compared against leader and participant expectations embodied in the Network Age.



### The Big Picture



Working together used to be so easy. Until the past 25 years or so, the corporation was a very homogenous place to work. Most of the work was conducted by men who, even if they didn't know each other personally, understood the rules by which they all operated. And those rules were highly standardized throughout individual corporations and from one company to another. Companies were organized in rigid managerial hierarchies, with clear-cut lines of authority, accountability and responsibility.

People typically worked together in the same building, and important meetings took place face to face. And thanks to the centralized nature of work, teams played a relatively minor role in getting things done, and information technology as we know it today played virtually no role at all. It was a model well-suited to the Industrial Age—vertically integrated, process-oriented, authoritarian.

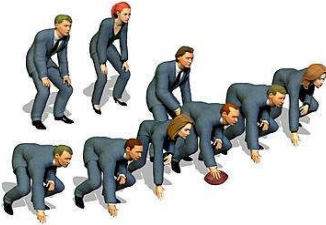
But that's all changed. The demographics of the Digital Age workplace have been transformed. Women have entered the workforce in large and growing numbers, and as globalization marches on, the workplace is also becoming much more diverse, with increased immigration from both developed countries and emerging economies.

As employees from all over the world converge in the commons of the Internet, work has become much more "distributed"—in other words, many workers no longer go to work in a traditional office, or perhaps even work for a company with a local presence. Project teams—now the predominant form of getting work done—might be made up of workers from any number of countries and cultures located throughout the world, separated by thousands of miles and by five or ten time zones.

As work has become more distributed, the very structure of the corporation has changed. The rigid, hierarchical corporate organizations of the past—and the cautious, process-oriented approach they took to getting things done—should give way to flatter, more highly networked structures in which responsibility and accountability is spread around and down. But here's the rub. While leaders have convinced themselves that this is indeed what is happening, in fact, it is not. Most work participants find themselves caught between the expectation that there is an organizational structure that behaves like a free-flowing network, versus the reality that the panopticonic structures of the past still prevail.



### The Age of Teams



Business success in the Digital Age is now much more dependent on the ability of teams to complete projects on time and on budget—and more and more, do it on their own – without much of the central support structures that used to be in place from time memorial. And often those teams include contactors, outsourcing partners and customers, further blurring the edges of what working for a company means.

At some point in their careers, everyone has worked on dysfunctional teams, and the symptoms are distressingly similar: unwillingness to collaborate; lack of connection to the overall mission or to other members of the team; too much time spent managing the team rather than getting work done; too many team member who “just don’t get it” or are simply missing in action.

Such symptoms don’t develop just because teams are now so spread out geographically or across multiple time zones. Too many teams struggle with a whole variety of issues that can often determine the success or failure of the projects they work on.

Such teams, especially those whose members are distributed around the world, simply couldn’t function without the aid of a wide variety of information and communications technologies. Yet the advent of such technologies has not been a cure-all for the problems endemic to many teams, or to the success or failure of the projects they pursue. **The project failure rate across all kinds of industries and functions remains high.** In new product development, for example, research has shown that it takes 3,000 raw ideas to come up with 125 small projects, nine early developments, four major developments, and just 1.7 launches to achieve one winner in the marketplace<sup>1</sup>.

Some of these team issues are relatively straightforward: How many additional projects are employees working on, and how large is the team?

Some are much more complex: How well do the teammates know and understand each other, to what extent do they “feel” connected and interdependent, and how are the lines of authority structured?

Given just how important teams are to getting work done, a critical question arises: Is it possible to diagnose these symptoms, as the first step in trying to alleviate them

<sup>1</sup> Blockbusters: The Five Keys to Developing GREAT New Products. Lynn & Reilly. 2005

### Re-imagining Virtual Team Problems



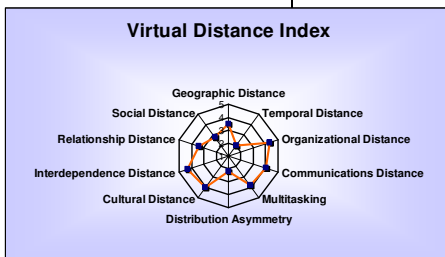
One way to approach the problem in the Information Age is through the concept of Virtual Distance. Consider the following:

*Think of a friend you have known for a long time but haven't seen in a while because she lives far away. When you do speak with her on the phone or read her e-mail, it is as if you just saw her yesterday and are simply picking up where you left off. That's an example of Low Virtual Distance.*

*Now think of someone you work with, perhaps even someone in the same office a couple of cubicles or offices away. You rarely talk to her, and when she needs to talk to you, she sends you an e-mail rather than walking over to your desk. When you are face to face with that person, you can't help feeling a bit uncomfortable—after all, most of your communications have taken place through the computer, and you don't know each other at all. This is an example of high Virtual Distance.*

What if we could capture the essence of this phenomenon? What if we could encourage and support the type of connection that results in the first of the two scenarios above and accurately describe and measure just what causes distance between people and groups?

Well, we can. Our research, developed through a rigorous process of surveys and statistical analysis, shows that Virtual Distance is made up of a combination of 11 factors, any or all of which may be present in varying degrees between individuals, groups, or networks of people.



These factors and how they affect the relationships among the members of a particular virtual team and its ability to succeed, can be measured, and then translated into a Virtual Distance Index. The Index's purpose is to assess how much Virtual Distance exists between an individual and his or her team, between team members or between two or more groups of any kind.

Once the degree of distance is known, the Index can help pinpoint the root causes of Virtual Distance specific to that team or between teams, and suggest directions for improving organizational performance and innovation.



### Using Virtual Distance to Improve Productivity and Innovation



#### PHYSICAL DISTANCE FACTORS

**Geographic Distance.** The degree to which team members are separated by physical distance.

**Temporal Distance.** The degree to which team members are separated by time zone or work schedule differences.

**Organizational Distance.** The extent to which members of the team work for the same organization, or for different organizations.

#### OPERATIONAL DISTANCE FACTORS

**Communication Distance.** The extent to which the team meets face to face versus electronically, and the frequency of face to face meetings versus all others.

**Multitasking.** The extent to which team members are working on competing priorities from multiple projects with multiple deliverables due at any given time.

**Readiness Distance.** The extent to which team members are technically capable of using virtual collaboration tools; are they well-supported.

**Distribution Asymmetry.** The extent to which the team is distributed and the degree to which team members are either isolated or cocooned in one location.

#### AFFINITY DISTANCE FACTORS

**Cultural Distance.** The extent to which team members differ in their cultural values, communication styles and attitudes toward work.

**Interdependence Distance.** The extent to which team members lack a sense of shared goals and success.

**Relationship Distance.** The extent to which team members do not know each other or some of the same people based on prior work histories and social networks.

**Social Distance.** The extent to which team member's status is derived from formal titles and hierarchical position versus contribution to the team or the work effort.

Three sets of issues create Virtual Distance. They are **Physical Distance**, **Operational Distance**, and **Affinity Distance**.

The first set of factors, are the Physical Distance factors, which include those influences that academics, researchers and consultants have typically limited themselves to when assessing how well virtual teams work together. **This is a mistake!**

While these factors certainly can make a difference, our research shows that they are less important than the other two categories of distance.

Physical Distance can *influence* Virtual Distance, but it is not necessary, or even sufficient, to *create* Virtual Distance.

Think back to the example above. How many of us have experienced the situation where a boss or a colleague works nearby but only communicates via e-mail, creating a high level of discomfort and an awkward relationship. Even though the relationship involves a high degree of Virtual Distance, it might easily be overlooked because of the absence of physical distance. It's quite possible that a team working out of the same office could demonstrate a higher degree of Virtual Distance than teams spread out from New York City to Hong Kong, thanks to the other two factors: Operational Distance and Affinity Distance.

The factors included in Operational Distance are typically easier to change than those in the following group, Affinity Distance, but changing them for the better is ultimately a short-term solution. And problems related to these factors must never be mistaken for the more complex factors included in the last group.

The factors that make up Affinity Distance include several key variables related to how people work and interact. While these factors are the hardest to change, successfully managing them can have the largest and longest lasting impact on performance and innovation.

The purpose of the two profiles, "Operational Distance" and "Affinity Distance," is not to suggest that teams or organizations will necessarily fall into one or the other category. Indeed, a team may have high Virtual Distance thanks to any combination of the factors. Rather, the profiles are designed to group the factors into areas that frequently need different approaches to solve—social and cultural approaches in the one case, and operational approaches in the other.



### The Cost and Consequences of Virtual Distance Cannot Be Ignored



In our research on the Virtual Distance Model we looked at just how much high Virtual Distance costs companies. The results are startling. One company we studied lost \$3 million as a result of too much Virtual Distance. Another organization we looked at lost three years in their efforts to develop new products, significantly hampering their competitive strategy. Organizations that demonstrate high Virtual Distance are also at risk of suffering significant blows to their reputations. For example, Interdependence Distance, one of the Affinity Distance factors, is a major risk among financial services organizations, which often find themselves caught in a myriad of outsourcing relationships daisy-chained together. The reputation of one major US bank suffered thanks to lost records that were the direct result of Interdependence Distance. That organization now labels this kind of distance Interdependence Risk, and factors it into its Risk Management models in hopes of preventing future losses.

High Virtual Distance correlates strongly with a number of factors that are critical to the success of teams and their organizations. When Virtual Distance is relatively high as compared against teams where Virtual Distance is low,

- Innovative behavior **dropped by fully 93 %**.
- The level of trust among team members **declined by 83 %**.
- Job satisfaction **plummeted by 80 %**.
- Project success—were projects completed on time and within budget, and were customers satisfied?—**dropped by 50%**.
- The effectiveness of team leaders **declined by 30%**.

Among the most dramatic effects we found was a high correlation between multitasking and innovative behavior. When a team's Virtual Distance was low, an increase in multitasking led to some increase in innovative behavior. But when Virtual Distance was high, increased levels of multitasking led to a very significant drop-off in innovative behavior.



### The Rules Have Changed



The effect of Virtual Distance on Multitasking is a good example of how the rules around much of what we have come to rely upon as axioms of organizational behavior, innovation, and success, have changed.

It may seem curious at first that increased multitasking would have such a negative impact on innovation. After all, multitasking, especially at companies that use information technology, has been shown to provide a big boost to productivity. Yet we all have our own stories of reaching, and surpassing, the practical limits of multitasking.

Members of teams with low Virtual Distance tend to know each other reasonably well, and meet face to face at least some of the time. That leads to the easy exchange of tacit knowledge, and clearer communication.

But a high degree of Virtual Distance means more virtually distant people working on more projects, with more and more of the communications and work mediated by technology. When the work reaches a certain critical mass—when “continuous partial attention” becomes the norm—the exchange of information and fruitful discussion degrades to the point where innovative behavior becomes “virtually” impossible.

Multitasking is just one example of how the rules have changed. Trust is another. Many pundits write about how to develop trust in virtual teams. The majority recommend what amounts to taking what works in the “traditional” work setting and transposing those methods into the virtual setting. But we know this doesn’t work. The lack of trust and increasing distrust in the workplace is evidence of its failures.

However we know for example that high Virtual Distance leads to significant distrust among people and organizations. And low Virtual Distance means high levels of trust. To re-build trust the **root causes of virtual team issues** need to be addressed – not just the surface ones.

**And what about leadership?** All of us have learned that “transformational” leadership styles are highly effective. But what does a transformational leader look like in the virtual workplace – especially given the preponderance of electronic versus face to face communication. One thing we know - when Virtual Distance is high, leader effectiveness falls off significantly; therein lies the need for Ambassadorial Leadership.



### Solutions for Bridging Virtual Distance Gaps



Virtual Distance leads us to a clearer understanding of the challenges and obstacles we need to overcome in the face of the Information Age. Some initial steps to take to address these challenges include:

1. Number One - come to grips with the fact that by simply taking old team and management practices and putting them into effect using virtual communications does not work. In fact, Virtual Distance may be causing great harm to an organization's quest for sustainable competitive advantage and the old approach may be misleading; draining resources and time that the organization can ill afford to waste.
2. Measure the extent to which the organization is being hit by Virtual Distance.
3. When possible, get ahead of the Virtual Distance problem by using its' predictive power before initiating new projects.
4. Take steps to address all three Distance issues; Physical, Operational, and Affinity Distance in a holistic fashion
5. Operational Distance can be addressed for short term improvements by paying more attention to:
  - a. when and how to meet face to face during crucial times in a project or partner relationship cycle;
  - b. having the right technical support in place for virtual workers
  - c. reducing team sizes
  - d. recognizing the law of diminishing returns when it comes to multitasking
6. **MANAGEMENT BEWARE** - Operational Distance, (the symptoms), can be mistakenly attributed. Oftentimes, Operational Distance is Affinity Distance (where much of the root cause lies), in disguise. To deal with Affinity Distance, and therefore get at the heart of most Virtual Distance problems, companies need to:
  - a. better learn how to create a shared sense of mission, interdependence, and mutual contribution to the group, across virtual space
  - b. facilitate social networking (not just put in some software and hope it happens – but assign management goals to ensure that people are connecting);
  - c. develop a “new” culture – do not try to force fit one cultural style or work ethic over another. This has proven time and again to yield very little fruit at best and in many cases, is an exercise in futility
  - d. ensure that communications and MEANING are consistent across the organization. This is not simply a matter of email etiquette – just one tactic that might be included in an Operational Distance Management Plan – but not a long-term fix for Affinity Distance.
7. Establish recruiting, hiring, selection, training, compensation, etc. in alignment with a Strategic Virtuality Management Plan
8. Conduct Ambassadorial Leadership training and coaching and establish and develop a new position, the Virtual Distance Manager or Liaison



### In Conclusion



Major changes in the workplace as well as society are occurring as the industrialized nations transform into networked nations and as developing countries leapfrog many of the Industrial Age stages and head straight into the Information Age.

As Stephen Roach, the Chief Economist for Morgan Stanley wrote:

*“Globalization and the hyper-speed of this IT-enabled transformation of global nontradables (knowledge and services) is unlike anything seen in the past. These forces are rewriting the script of some of our most time-honored macro relationships.”*

As much as Roach was talking about the macro-based effects of this transformation, so too do his observations hold true for the micro or corporation level all the way down to the individual worker – from every walk of life.

By becoming mindful that Virtual Distance not only exists, but plays a major role in innovation, financial performance, leadership effectiveness and more, executives can take steps to address current dynamics hindering these outcomes as well as using Virtual Distance management methods to their benefit.

Once networked organizations, individuals, and all those that participate in the Virtual Workplace, begin to use a common language to understand both their differences as well as their mutual opportunities, real and important change will emerge on a widespread basis:

- Innovation will take on new and poignant forms
- Performance will improve
- Job satisfaction will go up.
- Life balance will get a bit easier.

And we will begin to head in a more synchronous direction with a renewed sense of connectedness – which is what we are all trying to achieve at the most basic level – our own human nature.