Virtual Team Effectiveness: 
an Empirical Study using SEM

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ABSTRACT

Advances in communication and information technology create new opportunities for organizations to build and manage virtual teams. Virtual teams have become a norm for organizations whose members work across disparate geographical locations, relying primarily or exclusively, on the usage of Information and Communications Technology (ICT) for the completion of common goals. In many countries across the world, the internet has helped in shrinking barriers between teams located across diverse locations, and this has been possible because of what is termed as ‘virtual teams’-teams which are connected with each other in cyberspace. This paper attempts to explain the role of vital elements like trust, information sharing and communication, in building virtual teams. This study strives towards developing a set of factors that can be used by managers of virtual teams for establishing an efficacious relationship amongst the members. The research methodology of Structural Equation Modelling is used for the purpose.

KEYWORDS

AMOS, Communication, Information Sharing, Information Technology, Team Effectiveness, Trust, Virtual Teams

INTRODUCTION

With the rapid development and extensive application of information and communication technology, the virtual team offers opportunities for collaboration across time, space and organizational boundaries and has become an important component of the organizational fabric as it enables companies to cope with the accelerated market change. The virtual team, with advantages such as including diverse staff, broad organizational boundaries, flexible organizational structure and innovation resources allocation, etc., has been widely adopted in many fields including Service Outsourcing, IT and Innovation, Research and Development, etc. (Xiao & Jin, 2010). Therefore, improving the performance of virtual teams has been a significant issue in the business and academic circles. Research shows that organizations need to bring the right people together at the right time for the execution of specific tasks (Townsend, DeMarie, & Hendrickson, 1998). Both academicians and practitioners have suggested that virtual teams (VTs) allow organizations to address the challenges of increasingly complex and dynamic environments (Bosch et al., 2001). With the right strategies, processes, planning, actions and tools, organizations can benefit greatly from the new age trend of virtual teams. When effectively managed, global virtual teams amplify the benefits of teamwork and possess greater innovation potential than traditional, face-to-face teams. This format of teams allows organizations to attract and retain individuals across the world because of the workplace flexibility which is the prime factor of job satisfaction for many employees (Bergiel, Bergiel & Balsmeier, 2008). Assembling a virtual team is like grouping people from dispersed locations, time and/or organizational boundaries.
As working virtually becomes more and more common, it is important to understand what influences the effectiveness of a virtual team. It is because of the effect of globalization that businesses require constant communication amongst members across languages, time and cultures. Companies cater to these global demands through the formation and use of virtual teams. For any organization to function in a competent manner, it is important to understand the abilities of their employees (Kuo & Yu, 2009). While working in a virtual team, organizations enhance the ability and efficiency of employees by supporting employee activity across time zones and enabling them to be productive around the clock (Lin & Liu, 2008). This concept minimizes the chances of physical meetings on a regular basis, thus, making establishing trust, a very difficult job for virtual teams. Equally important are the issues of information sharing, communication or managing time.

This study explores factors that drive perceived effectiveness within virtual teams. The study focuses on the identification of dimensional factors that are to be considered at an early stage of the virtual team creation process as they are critical in impacting team effectiveness. For achieving effectiveness in a virtual team’s leadership style, awareness of surroundings, flexibility, cultural intelligence, communication and interpersonal skills are key competencies that need to be developed for building trust (Evans, 2012). Managers or leaders play an integral role in building the team, as they are the one who act as originators, mentors, and facilitators for the teams. The entire leadership role needs be rotated among members, depending on the specifics of the team as members in the virtual team look up to the leaders for problem resolution and advice. Managers with a global mindset are better able to maximize global virtual team effectiveness. Opportunities for social interaction must be created as team members get to know each other, both on the basis of their work-related skills and their personal interests. Individuals tend to trust others who they perceive as similar to them in hobbies and other interests as they feel that they can understand each other’s situations well.

LITERATURE REVIEW

Virtual Teams

The use of virtual teams in organizations is becoming a trend, as organizations seek to take advantage of the talent available at geographically dispersed locations for completions of their multi-location operations. The four key characteristics of the virtual teams identified by (Jarvenpaa & Leidner, 1999) are:

- **Temporary:** Virtual teams are organized for a particular task and tenure. Virtual teams open up to the new possibilities of working in a global environment which gives access to a variety of people who best fit the desired talent and skills. This creates both opportunities and challenges for the team.
- **Culturally Diverse:** Cultural diversity is common in virtual teams. Members of the team have different countries of birth, nationality and languages and this gives a competitive advantage to the team. It is this diversity which helps in generating ideas to accomplish the common task assigned to the team.
- **Geographically Dispersed:** Virtual teams give an add-on benefit to people to work from remote locations. Virtual teams are common across various industries and IT sectors, and their members often span national, geographic, and other boundaries.
- **Communicates Electronically:** A geographically dispersed work team uses information technologies for the purpose of communication. Team members connect with each other across time, space, and boundaries using computer-mediated technology.

Based on an extensive literature review, the authors would like to summarize the advantages and disadvantages of virtual teams (Table 1 and Table 2).
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