Managing Performance Remotely

By Sven Cune & Fredrik Fogelberg (editor: Judith Tavanyar)

Since the first wave of the current economic crisis, virtual work environments have become increasingly common. While before 2009 virtual teams were created primarily to tap into global talent, reducing travel cost is now a key argument for most corporations to consider working remotely more often and rely less on face to face meetings. In consequence, managers these days are expected to lead virtual teams and remote reports almost as a matter of course, whether they like it or not. Our experience?   The majority of managers do not like it, nor are they particularly good at it.

Doing the laundry

'Why would I let my employees work from home, they'll just start doing the laundry instead of working'. This comment from the CEO of a Dutch company, clearly highlights a managerial lack of trust and a focus on input (time) rather than output (results).

But leading remotely is a skill that leaders need to develop and the switch from co-located leadership to remote leadership is a step that we see many leaders struggle with. Why is this?

Remote leadership is in so many ways quite different from leading employees in one location. For example, complexity increases. To be an effective remote leader, skills are needed in a number of areas such as using communication technology, cross cultural

communication, networking, team development, performance management, building trust and dealing with ambiguity. Acquiring this range of competencies is clearly no small challenge, especially for managers who are relatively inexperienced in co-located leadership.

We have addressed these competencies in an earlier article[1], and, since many of our clients mention Managing Performance Remotely (MPR) as one of their key challenges, this is the topic we are focussing on here.

Challenges in remote performance management

Working together with employees in different locations or managing a dispersed team creates significant new challenges when it comes to performance management. While the following questions are not unique to virtual teams, they are much more likely to be raised within virtual than collocated teams: [2]

- Do employees feel that workload is being shared fairly and equitably?
- Does a manager appraise remote employees in the same way as she appraises collocated employees?
- Does a manager believe his remote employees work effectively when he is not there?

All the above issues relate to one core topic: trust. For remote leaders, the matter of trust is a recurring theme and to manage performance remotely it is absolutely essential.

A manager leading a globally dispersed team does not (and cannot) have the same level of control over employees as his co-located counterparty. He can neither monitor nor be involved in everything that each employee is working on; after all, the team's geographical dispersion means that the team manager may be asleep when remote members are working.

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[1] Cune, S. & Fogelberg, F. , 2011.
[2] Dr. Al Jury, 2011.

In order to continue to lead employees effectively and evaluate their progress and productivity, remote managers have to switch

> *Trust takes long to build and can be gone as the results of one single action*

from appraising their reports not on the work they put in, but on the results they get out. In other words, from 'input-based' to 'output-based' appraisal. Thus, instead of trying to control the whole workflow, a manager directs her attention to the final outcome as well as being virtually present along the way. What do we mean by 'virtual presence'? Simply put, the remote manager needs to give her team the feeling that she is available to them if they have questions or need support in any other way. Making good use of virtual technology is essential in achieving this sense of virtual presence, we will go into this more deeply later on in the article.

From Input to Output

Switching from input to output appraisal means we measure employees' productivity and the quality of work by looking at what they deliver and not at the amount of hours they put in. The end product is what counts.

Taking an output- or results-based perspective on performance management inevitably leads to a much more flexible approach to work. Employees need to decide how they want to do their work and when, within the boundaries set by the remote leader. Within this approach, what matters most is that expectations are met and goals are reached.

> *Managers vary considerably in how easily they make the switch from input to output appraisal, depending on their preferred leadership style, personality and critical success factors in the organisation.*

The results of this are obvious - when an organization succeeds in implementing a work environment where the emphasis is on output and employees are free to choose how, when and where they work, there are benefits to both the organization and the employees. As Kossek and Hannum[3] put it: 'we think of productivity and efficiency in terms of creating

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[3] E. Ernst Kossek and K. Hannum, 2011.

work structures and routines that boost output and reduce error' – 'but individual productivity should also be factored in.' In other words, employees should be able to work in the way **they** think they will be most productive. And just as leaders vary in their styles, so do employees. Some thrive more in a remote working situation than others.

There are further positive considerations to this trust in output and flexibility of approach. Research shows that flexibility in work has a positive influence on work/life balance[4] and this, in turn, leads to higher satisfaction, productivity and employee engagement[5]. One key explanation for increased employee productivity in remote teams is that employees feel the need to return the favour shown by their leader in trusting them to work well remotely[6].

So, both employer and employee seem to benefit from a flexible work arrangement based on appraisal of output. But how do we implement this? We have already discussed the matter of trust and the importance of this factor for remote performance management

> *Trust is built by competence, integrity and emotions*

specifically and for leading remotely in general. Building trust is therefore the cornerstone of our approach in effective remote performance management.

The Nomadic IBP Managing Performance Remotely Model

Every organization has its own methods in managing the performance of its employees. Approaches may differ slightly from one organization to the next, but all revolve around the same basic elements: definition of roles, goals and expectations on one side and measurement, appraisal and feedback on the other. In this, trust is seldom mentioned explicitly as an important factor, but we think it is essential. Why? Without trust, the performance management cycle becomes a mechanical instrument, often resulting in demotivating the employee rather than the opposite.

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[4] S.C. Clark, 2001.
[5] Cisco, 2009.
[6] Kelliher & Anderson, 2010.

In our model for remote performance management we put trust at the very heart of the process. We define setting roles goals and expectations, and providing appraisal and feedback not as a linear process or 'one off' event, but as continuous. Of course, the model could be used in a traditional, co-located work environment equally well, but the additional (outer) layer shown in our diagram here is the 'new way of managing' that a virtual leader needs to develop. In other words - each element of the process of performance management should be virtualized, incorporating flexibility and a different approach to control. This all starts with virtual 'trust building'.

Trust

There is a good reason for putting trust at the core of this model. Mutual trust is the foundation of an effective virtual working relationship in which a virtual manager feels comfortable with the limited control he or she has. Or, as an experienced remote leader puts it, it is about "accepting virtual control".[7] The remote manager must trust her

Can trust be built and maintained in virtual space?

Definitely, yes. According to Greenberg et al. (2007), trust in virtual teams is built on 3 pillars: The first pillar, competence, is about whether any team member experiences the others as bringing the right expertise to the group. The second one, integrity, is about whether team members keep their promises and stick to the agreed deadlines. Finally, 'emotions' is about whether team members like each other as people. Do they enjoy each others' company?

employees to do their job when they are at work on the other side of the globe. And the virtual team member must trust that there is equity in workload and fairness in appraisal among all employees in the team. This is of course easier said than done. The distance and the lack of communication 'cues' in virtual communication make it more difficult to build

[7] José Nederpel, 2011.

trust, but definitely not impossible. The question is: what can a virtual manager do to build a virtual relationship with high levels of trust?

Focus on the relationship: paying appropriate attention to the relationship before jumping to the task builds trust. This is true in any culture but to a particularly great extent in cultures that are more relationship-focused and have a preference for 'high context' communication. As an Indian colleague said: 'I cannot see how this could work, meeting for the first time and getting down to business immediately'.

Trust from the start: giving team members trust from the start, and if this trust is violated, clearing the air immediately. The concept of 'swift trust'[8] is used to describe the notion of showing trust easily to team members, from the word 'go'. This not only gets relationships off to a good start, it also makes team members feel how important it is not to violate their manager's trust.

At the same time it is essential to discuss 'trust' issues immediately, and not let minor conflicts escalate. Due to lack of information in virtual space, conflict can easily go unnoticed in a virtual setting and spiral out of control. This lack of information can also create feelings of suspicion and lead to envy and gossip. When a team member gives others the impression of 'slacking off' in their work, rather than simply making the assumption that this is in fact the case, it is important for remote managers to do an immediate reality check by collecting facts and diplomatically finding out what is going on 'over there' - and correcting the situation where necessary.

> **Other remote management behaviors that facilitate trust:**
>
> - *Involve all team members*
> - *Acknowledge contributions*
> - *Encourage communication between team members*
> - *Provide feedback on communication*
> - *Discourage domination by any one team member*
> - *Rotate leadership based on task or topic*
> - *Encourage social communication*
> - *Watch out for subgroups*

Virtual presence: being clearly available to team members increases team engagement. When team members have the feeling that they can contact their manager for questions at

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[8] Jarvenpaa, S.L., Knoll, K., Leidner, D.E., 1998.

any time, they will feel more connected to the team as well as to the manager[9]. This sense of availability, or, 'virtual presence' can easily be achieved with programs like Skype or Lync, where the availability status of all team members is constantly displayed. This clarity about availability simulates the traditional office environment where people can easily see who is, or is not, at their desk. As an experienced virtual manager describes it: "I am always visible online when I am working, it's like my virtual office door is open so my virtual team members can drop by".[10]

Extra antennae: To be effective, the virtual leader needs to show a high degree of sensitivity to whatever is going on in the team. One way to achieve this is by scheduling regular meetings which each team member individually, and by listening not just to what is being said but also to what is not said, to what is being expressed 'between the lines'. The effective remote leader thus takes listening to a whole new level.

> **Consider this dialogue between a Western European boss and a Chinese direct report (from 'A world of difference' by Worldwork):**
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> Boss: *'Have you booked the venue for the conference?'*
>
> Employee: *'Many things are in place'.*
>
> Boss: *'Has it been done?'*
>
> Employee: *'A decision is being made'.*

But effective remote leadership is evidently about cross-cultural sensitivity as well as skilled listening. In particular leaders from North -Western Europe and North America need to be sensitive to what is communicated indirectly. For example, a team member may report that the project is coming along fine, but at the same time communicate by subtle clues that things are not well at all. In a virtual setting we have to rely on written, auditory and the occasional video communication, so extra sensitivity to the underlying message is called for.

"In a virtual environment, nothing happens by itself, you have to take (the) initiative to succeed". [11]

What do the four topics we have discussed here have in common? The fact that all require the remote manager to take the initiative in making them happen, far more than in a

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[9]Nunamaker J.F. Jr., Reinig, B.A. and Brigg, R.O., 2009.
[10] José Nederpel, 2011.
[11] José Nederpel, 2011.

collocated work environment. He has to compensate for the spontaneous meetings that do not occur in virtual space, such as bumping into each other at the coffee machine, a quick chat in the corridor as you pass, and so on.

A climate of high trust in a virtual team means that there is open and easy communication. Team members are

Trust is what underlies all good working relationships

not afraid to approach their manager with questions or comments and a manager will get any 'difficult' issues on the table immediately. Reward systems, where they exist, will be team-based and openly discussed rather than competitive, individual systems which tend to have a strong negative impact on trust by fostering secrecy and inhibiting information sharing.[12]

Defining roles, goals and expectations

Clear goals, roles and expectations help employees to work more independently without constant supervision from their manager. And, if defined within a virtual team so that they are interdependent, team members are likely to work together more effectively than they might with independent, individual goals. [13]

For example - when roles are well-defined, team members tend to perceive the division of tasks as fair and are more likely to focus their energy upon the common task. This contrasts with the destructive feelings and behaviours sometimes in evidence in teams when there is little or no clarity about goals, roles and expectations, when envy, fear, hiding information and other negative responses to uncertainty may predominate.

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[12] Hertel, G., Konradt, U. & Orlikowski, B., 2004.
[13] Hertel et al., 2004

How do we achieve this clarity of understanding in a virtual setting, where in fact misunderstandings around goal setting happen only too easily? A typical scenario for misunderstandings is when the remote manager comes

High Context Belief	Low Context Belief
Appropriate communication depends on decoding the situation, the relationship, the non-verbal behaviour (the context), so we should invest time in getting to know people to communicate efficiently using a shared code.	*Appropriate communication depends on using concrete logical, unambiguous task-orientated language (the context), so we should be explicit and transparent (personal relationships are nice but not necessary).*

from a 'low context' culture ('what you see is what you get') and the direct report is from a 'high context' culture (see the box above[14]), where a 'yes' may mean 'I heard you but I don't agree'.

There are numerous tools that allow virtual teams to share their project progress and goals online. One example is a Mind Map that all team members are able to access and edit (graph). The Mind Map is used to assign tasks to team members and monitor progress. Giving all team members access to this tool not only creates transparency, it also makes perceptions of inequity less likely when it comes to workload distribution. Other tools for defining goals and measuring outcomes are project planning tools such as Basecamp.

Example of a Mind Map, a useful tool for keeping track of project progress:

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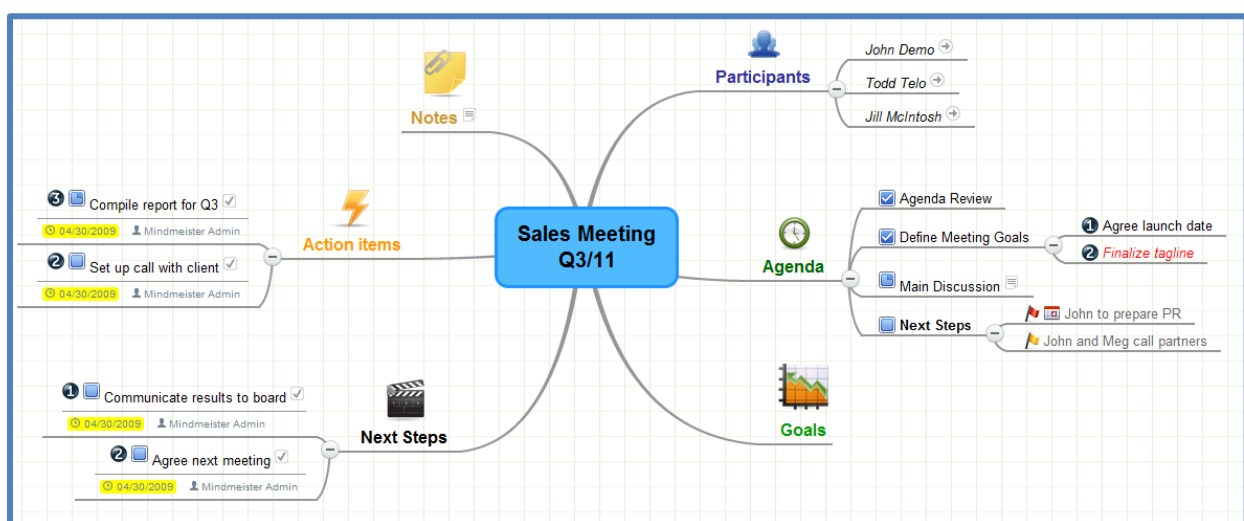
[14] Hall, E. T., 1976

Appraisal and feedback

Many appraisal systems, whether in virtual space or not, fail because goals are not clear, or they can only be partially influenced by the employee. In virtual space, any team member's effort and activity (input) is much less visible to the remote leader, and so a frequent dialogue between remote leader and report becomes necessary to discuss expectations, results, enablers, constraints, as well as updating the goals themselves. During these conversations, the manager's shift of focus from input (activity level) to output (result) is clearly shown, trust is expressed and support is offered. A coaching leadership style seems to be most appropriate for this purpose.

And so, the final element of the MPR model is the actual measurement of the employee's output. This is a continuous, circular process; goals are dynamic and may be adjusted regularly, roles change when necessary.

Obviously, the frequency of contact between virtual leaders and their teams must be defined by their roles and the nature of their work. Consider two remote leaders who are peers but define their remote performance management cycle in very different ways. One is the Sales Director who works in a 'rapid change' environment and whose direct reports are spread all over the North American continent. He has daily synchronous (phone) contact with his team member to discuss sales results, what is working well and what is not. His peer, in charge of back office operations in different locations, connects with her reports every month for around 4 hours to discuss progress and goals. The goals in the back office setting are harder to quantify but less subject to change than in the Sales environment and therefore need a longer and deeper, if less frequent, discussion.

The skill of giving precise, constructive and useful feedback is particularly relevant in virtual space, where emotions tend to get amplified and specific, behavioural feedback, both positive and developmental, is all the more important. The effect of receiving high quality feedback is not only highly motivational for employees, it also helps them to assess themselves against expectations, and acts as a useful 'reality check'.

In particular, giving feedback on an employee's specific behaviour or actions does not come naturally to many managers, but doing so is a learnable skill. We have found the Situation – Behaviour – Impact model user friendly and easy to implement by leaders.[15] This model works as follows.
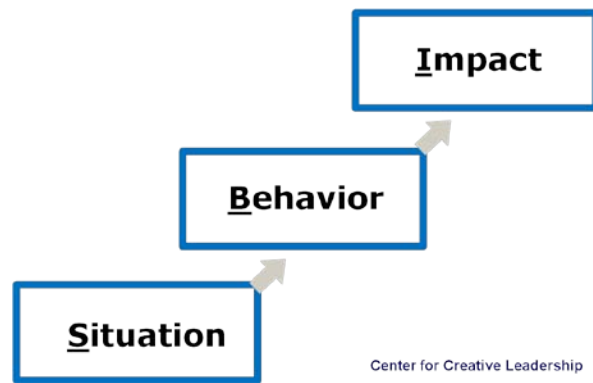
When you give feedback to a team member (negative or positive), focus on a specific incident and stick to the following steps. First describe the *situation:* the time and place of the incident. Then you describe the *behavior* of the team member, what he or she said or did. Finally you describe the *impact* this had on you, other team members or the task at hand; what did you do, feel or think as a result of the behavior. This way of giving very accurate feedback on specific incidents will help clear the air quickly and prevents spiralling into conflict. Also, constructive feedback helps to clarify roles, goals and expectations, preventing future misunderstandings.

Control: a specific challenge for the remote leader

When a healthy work relationship based on trust is established, and roles, goals and expectations are clear, the obvious step is to ease the controls. The classic dilemma of the

need for control (risk management) on the one hand versus letting go of control on the other has no simple answers for leaders, virtual or otherwise. In the banking industry famous instances of loopholes in the risk management system that led to financial disasters include

Nick Leeson's uncontrolled trading that brought Barings Bank down in 1995[16] and Jérôme Kerviel's €4.9 billion mistakes at Société Générale in 2008.[17] On the other hand, too much managerial control in virtual space typically leads to disengagement and bureaucracy.

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[15] Weitzel, S.R., 2000.
[16] Documentary: 25 Million Pounds, 1996.

How to resolve this dilemma? Many leaders have chosen leadership roles because they enjoy being in charge, making decisions and being in control. This is part of their recipe for success and giving up control may not come naturally. However the trend seems to be increasingly towards team and coaching-based leadership, where opinions of direct reports are taken into consideration, rather than the type of 'command and control' leadership where the boss is fully in charge. Organisations are too complex and the environment changes too quickly for one leader to keep the full overview.[18]

The degree to which individual leaders are comfortable with releasing control depends not only on the dictates of their working environment, but also, of course, upon their personality, maturity level, national culture and level of confidence. In short, there is no 'one size fits all' recipe for letting go of the reins to any extent, so the remote leader has to carefully gauge the comfort of each team member with working remotely and establishing her own routines accordingly.

Another layer of complexity: diversity and individual difference

Diversity

As many virtual teams involve team members from different countries, we cannot exclude the cultural lens from our discussion on MPR. Models from cross-cultural management theory distinguish between cultures with focus on equality and cultures with emphasis on hierarchy. [19] Our expectation and experience is that team members from hierarchical cultures expect more specific directions from their boss, while team members from equality-focused cultures on the contrary are more comfortable with 'empowerment'.

Managers therefore need to take into account these cultural differences when managing diverse virtual teams. Caulat[20] points out that cultural differences play out less strongly in virtual space than in a co-located setting due to the lack of contextual clues. In her opinion, this makes virtual teams outperform co-located teams in some instances.

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[17] BBC News, 4-2-2008.
[18] Bund, K. & Heuser, U. J., 2012.
[19] Hofstede, G., 1983.
[20] Caulat, 2011.

Individual difference

A final aspect that is often overlooked in MPR is that of individual differences. Although a majority of employees respond positively to a leadership style based on 'swift trust' and output focus, some personalities thrive more in a structured, controlled environment. [21] Our hypothesis is that in a remote work situation, where the boss is only present virtually, individuals with a high need for structure and predictability, may experience higher levels of stress.

The way forward

The MPR model presented here does not claim to provide the ultimate solution on Managing Performance Remotely, but it does suggest how existing methods of performance management can be adjusted to the virtual environment.

In many ways, there can be no 'one solution' - the development of a virtual way of working is a truly organic process, shaped by the personality and needs of individual leaders and their teams, and likely to continuously evolve. This dynamic process is influenced by the extent to which the remote leader is comfortable with building trust, letting go of control and adapting to technological progress. New Internet tools for virtual communication that support MPR, appear on a daily basis. As remote leadership is a fairly new phenomenon, the amount of scientific research around it is limited, but increasing, and finding one's way through this growing body of technological knowledge is no small undertaking for any leader.

Given the 'newness' of leading remotely, it is clear that it currently takes more effort from a virtual manager to find her feet in guiding a team to successfully achieve goals than it takes from a co-located manager. But there is good news, and plenty of reason for hope: when high levels of trust are established, and virtual teams make smart use of the

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[21] Slijkhuis, M. 2012.

technology, all the evidence suggests that virtual teams have the ability to outperform their traditional counterparties. And if that is the case now, when many remote leaders are still learning on their feet, there is no reason why it should not continue into the future as the body of experience and research behind this 'new' way of team working continues to grow and be shared globally.

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