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The State of Virtual Team Utilization in the 21st Century: A Research Survey by Chronos Consulting

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1. Introduction

Survey Rationale

The idea for this survey came about for three key reasons:

1. Our experience with helping private and public sector organizations build and optimize global, virtual and cross-functional teams indicated that the business case/rationale for utilizing virtual teams was stronger now than it had been in the past. This was especially true given today's cost-cutting, project-oriented and mobile workplace culture.
2. There has been an evolution in how and where virtual teams are being used, and perceptive business thinking necessitates an evaluation of this increasingly popular workforce model.
3. We wanted to introduce cutting-edge thinking based on careful analysis, study and field+ experience on one of the important issues facing senior executives today: How do you utilize virtual workforces to achieve desired business objectives, while reducing costs and maintaining human capital and productivity.

This survey is designed to identify challenges, opportunities and trends related to the utilization of virtual teams for cross-industry companies operating in North America (USA & Canada). It also aims to present compelling insight and actionable tips that advance previous knowledge on the topic and have practical applications to a wide variety of senior managers dealing with managing people and organizational change. In short, by utilizing the data and trends stemming from the survey and related practical experience, we answer the following questions:

1. Why is utilizing virtual teams especially useful at present? What key opportunities and challenges should managers consider when deploying virtual teams?
2. What are the biggest challenges faced in managing virtual teams today?
3. How and when should the virtual workforce/team model be applied in business?
4. What kinds of companies benefit the most from virtual teams? For which sectors is this not such a good option?
5. What are the benefits of utilizing virtual teams well, for people and business?

The survey research is unique in that it covers the utilization of virtual teams from primarily an HR perspective, but it also incorporates the functions of information technology and operations, which are also notable users of virtual teams. Our knowledge of this topic is based on over 15 years of consulting experience in business, HR and technology projects involving the alignment, management and building of cross-functional, virtual and global teams.

The world today is an increasingly global and competitive marketplace with added political and business risk. This has put many organizations in a dilemma. Several years ago, the major issue was winning the so-called war for talent which involved attracting and retaining the best and brightest. Companies implemented rigorous selection mechanisms, internal promotion-ladders, extensive training and development, flexible work schedules and group incentive schemes, all in the hopes of developing a workforce that would give them a sustainable competitive advantage.

However, the recession turned that thinking upside down. Many organizations have been scrambling to figure out how to best restructure and cut costs without jeopardizing the valuable human capital they have built, while staying competitive in their industry. The following factors are affecting the utilization of teams and talent, and are prompting companies to utilize or consider utilizing virtual teams:

- New changes in business models, including distance optimization tools (WebEx, virtual meetings, etc.), communication (VoIP, Skype etc.) and other technologies
- Multinational organizations growing in emerging markets (China, India, Brazil, Mexico, etc.) at a rapid pace, while existing global companies fight to retain market share, profits and talent
- Global abundance of talent with locally limited resources
- Rising demand for new skill sets
- More distributed and diverse workforces with flexible, mobile and virtual work arrangements
- Emergence of technology and virtual meeting tools offering enhanced efficiencies to companies working in disparate locations

- A significant portion of project-oriented work being done
- Infrastructure and Information Technology Outsourcing (ITOs), Business Process Outsourcing (BPOs) and Shared Services models have cut costs and increased efficiencies for a sizeable number of companies, prompting the growth of a cost-cutting, non-core activity outsourcing culture in many parts of the world
- Continuing economic uncertainty in the US and Europe and growing political unrest in the Middle East and North Africa affecting the profits, productivity and risks for organizations conducting business on a global scale

Together, these developments are creating workforces and work environments that are as diverse and geographically dispersed as the businesses themselves. For senior executives of international companies, this transformation of business and human resources presents new opportunities and challenges. This is especially applicable to the utilization of virtual teams for important global and regional projects.

2. Executive Summary

Doing business effectively in the 21st century presents its own unique set of opportunities and challenges to private and public sector organizations. The ongoing social and political turmoil presently underway in the Middle East and North Africa, struggling economies (Greece, Spain, Ireland and Italy) in Europe and high unemployment and limited new job creation in the United States are all impacting the global economy. In addition, important tipping points, such as volatile capital markets, fluctuating energy and raw material prices and sharp declines in land, housing and fixed-asset values underscore the importance of multinational organizations utilizing their human resources as a critical part of business performance and competitive differentiation.

By definition, virtual teams and workforces consist of employees from different functions of an organization, and can be distributed across disparate locations and between companies. They may include remote workers, mobile employees, independent workers or outsourced services or anyone who does not work solely in one place.

Implementing a virtual team model can have a number of benefits, including the ability of a company to reduce costs, cut travel and expenses, gain access to a more efficient labor pool and produce better collaboration between software and tools. One company we worked with achieved cost savings of 21% in just one year by moving selected functions to a virtual workforce model, while maintaining expected productivity and customer service levels. On the other hand, organizations must be watchful when using virtual teams, as it often requires balancing competing priorities. HR departments are finding themselves walking a tightrope in managing budgets and ensuring the sustainability and growth of their companies.

This makes managing virtual workforces a complicated task for HR, operations, technology and related departments, as they must navigate the challenges of operating in a more dynamic environment. When implementing a virtual team and/or workforce model, companies must consider the benefits, challenges and best practices associated with them.

3. Objectives

This survey is based on the principles of scientific research and is a combination of exploratory and constructive examination, focusing on qualitative research. The objectives of this research survey are to observe and describe how and to what extent virtual teams are being utilized presently in private sector companies· as well as some public sector organizations· for the HR function primarily and for the Operations and Information Technology functions tangentially. Additionally, this survey poses questions to gauge the openness of organizations in using virtual teams in the future to reduce costs while preserving productivity in today's challenging economic environment.

Many of the companies we surveyed had ERP and other systems in place, which aligned the functions of HR, Operations and Information Technology closely, especially when related to the utilization of virtual teams. Pertinent data is noted in the forms of graphs and charts. The primary people contacted were directors and vice presidents of HR, followed by directors and vice presidents of Information Technology and directors of Operations.

4. Methodology

This qualitative* research survey project is based primarily on completed surveys, but also takes into account several semi-complete surveys and comments from surveyed company managers. It serves the following functions:

1. Observation of the increasing utilization of virtual teams in business
2. Definition of virtual teams
3. Formulation of hypothesis: How much are virtual teams being utilized by private and public sector organizations at present? Is this model likely to be utilized more in the near future (1-2 years)?
4. Data gathering (survey questions)
5. Data analysis (analysis of survey responses)
6. Pretesting and revising of hypothesis (as applicable)
7. Actual survey results and related discussions
8. Conclusions

**Qualitative in this case refers to the understanding of human behavior for the utilization of virtual teams and the reasons governing such behavior.*

Survey Group: Total companies contacted: 1,764; Location: North America (USA & Canada nationwide); Completed survey responses: 83 companies; Partial survey responses: 274

Demographics: Employees: 500+; Annual Sales \$50M-5B+; Primary Functions: Human Resources (HR); Secondary Functions: Information Technology (IT) and Operations

US Company Profile: Oil & gas extraction; chemical & allied products, consulting companies (management and engineering), petroleum refining & related industries; call center operations; transportation (land, sea and air); depository institutions (financial services, insurance carriers, holding & investment)

Canadian Company Profile: Banks; credit unions; insurance companies; call centers; telecommunications companies; cable companies; transportation (land, air freight)

Data collection Method: This survey was conducted by telephone and targeted North American companies across the above-mentioned demographics.

Pretesting: The pretesting process involved calling 200 companies across industries in the United States and determining if the questions being asked were pertinent as related to testing the hypothesis. These pretest calls indicated the need to improve the questionnaire by repositioning some questions and expanding the calling to include more companies in industry sectors not historically given to utilizing virtual teams.

Data analysis: Data was analyzed on the basis of information received in the total number of completed surveys and across surveyed industry sectors. The survey calls were focused primarily on HR function, but also included the Operations and Information Technology functions at their points of intersection with HR (e.g., for ERP and enterprise systems).

In all, 1, 764 companies were contacted by telephone and 83 surveys were completed (0.047% completion). The numbers of specific surveys completed in the U.S. and Canada (by industry) are noted below:

United States: 52 completed surveys; 1021 companies contacted (0.05% completion)

- Oil and gas extraction: 8 completed surveys; 323 companies contacted
- Chemical & allied products: 4 completed surveys; 227 companies contacted
- Consulting companies (management and engineering): 11 completed surveys; 90 companies contacted
- Call center operations: 13 completed surveys; 82 companies contacted
- Transportation (land, sea and air): 7 completed surveys; 112 companies contacted
- Depository institutions (financial services, insurance carriers and banks): 9 completed surveys; 187 companies contacted

Canada: 31 surveys completed; 743 companies contacted (0.04% completion)

- Banks, credit unions and insurance: 7 completed surveys; 331 companies contacted
- Call centers: 10 completed surveys; 139 companies contacted
- Telecommunications companies: 5 completed surveys; 92 companies contacted
- Cable companies: 5 completed surveys; 79 companies contacted
- Transportation (land, air freight): 4 completed surveys; 102 companies contacted

5. Survey Questions

The questions posed in the survey are noted below. Questions 1-8 were asked in order to determine the extent to which companies in surveyed sectors were utilizing virtual teams at present, and to gauge the probability of whether this model (virtual teams) is likely to grow or shrink in the near future (1-2 years). The logical and sequential rationale for asking these questions is noted for each question along-with the percentage and type of response.

1-A. Has your company downsized or upsized HR operations in the last 3 years?

This question was asked because our preliminary research indicated that a large number of companies have downsized HR operations in the last three years and a small number of them have actually upsized (grown) HR during this period. Typically, virtual teams are considered and/or utilized when organizations downsize HR in order to cut costs and expenses. Therefore, companies that downsize HR are sometimes more open to the idea of using virtual teams, as well as other cost-cutting measures.

If the answer was yes, then the following additional question was asked: Why did you downsize (or upsize HR)? This question was designed to uncover the reasons behind the HR restructuring for that particular organization and compare that with the general reasons behind why other organizations in that sector have restructured.

- 48% of companies surveyed reported being downsized
- 8% of companies surveyed reported growth (up-sizing)

Follow-up question: Why did you downsize (or upsize HR)?

- 72% of surveyed companies reporting HR downsizing said cost reduction was the primary reason
- 56% of companies growing human resources reported additional revenue and market growth as the primary reason for up-sizing HR

1-B. If so, are you using smaller teams to get the same/required amount of work done?

Part B is a logical continuation of part A because it is common for companies to use smaller teams to get work done after a round of HR downsizing. Also, in some cases, instead of using smaller teams, organizations outsource non-core work to third-party vendors or contractors, especially for one-off projects.

If the answer was yes, the following additional question was asked: How are these teams performing so far versus the previous structure? This question was asked to gauge the satisfaction (or dissatisfaction) of the organization in using virtual teams as compared to traditional teams.

- 48% of companies surveyed reported being downsized
- 8% of companies surveyed reported growth (up-sizing)

Follow-up question: Why did you downsize (or upsize HR)?

- 72% of surveyed companies reporting HR downsizing said cost reduction was the primary reason
- 56% of companies growing human resources reported additional revenue and market growth as the primary reason for up-sizing HR

2. Are you aware that a lot of organizations are using virtual teams to cut costs and have access to a more expanded pool of capable workers?

This question was asked to ascertain if that particular company is an early, typical or late adopter of new HR trends such as virtual teams in their particular sector. The follow-up question was: How do you know that? This determined the source of their knowledge (e.g., the media, competition, etc.).

- 44% of companies surveyed reported knowing about the use of virtual teams to cut costs and hire an expanded pool of workers.

3. Have you utilized virtual teams, outsourcing and contractors to cut costs?

This question was asked to find out which one (virtual teams, outsourcing or contractors) or combination of these three options the company was using to cut costs. The questions that followed no. 3 asked which option (if any) was working better than the others, and if that company was open to the idea of using virtual teams to cut costs in doing business.

- 44% of companies surveyed reporting using a combination of the above to cut costs
- 23% of companies surveyed reported using virtual teams to cut costs
- 27% reported using outsourcing to cut costs
- 39 % reported using contractors to cut costs

4. Has any consulting or advisory company helped you in making HR-related decisions impacting your business?

This question was asked to determine if the company being surveyed has utilized consulting companies for HR-related issues before and to find out how they were utilized. Generally, companies that have used consulting/advisory companies before are more open to using them again.

- 31% of companies surveyed reporting using consulting/advisory firms for HR
- Rest did not comment

Follow-up question: What role did the consulting firm play in helping you with HR issues?

- 43% of surveyed companies reported using a consulting firm to make HR and ERP related decisions

- 24% surveyed companies used consulting firms for HR strategy & performance improvement

5-A. Are you using an ERP system for HR related functions?

This question was asked because typically most companies of this size and scale are using some kind of ERP (SAP/Oracle/PeopleSoft) system for HR. Since we are familiar with these ERP systems and how they function and interact with HR systems, we can gauge if utilizing a virtual team model could be either beneficial or difficult for that company.

- 68% of surveyed companies reported using an ERP system for HR

Follow-up question: Which ERP systems are you using with HR?

- 58% reported using SAP ERP with HR
- 34% reported using Oracle or PeopleSoft ERP with HR
- 8% reported other miscellaneous systems or stand-alone HRIS systems

5-B. Have you integrated HR with your ERP system yet?

This question was asked to determine where the company was as far as rolling out HR-related ERP. It also points us to possible areas where virtual team utilization could be particularly useful. The question that followed about addition or reduction to HR burden can show us if that organization is properly managing HR after ERP integration or if they need help.

- 51% of surveyed companies reported that HR was integrated with their ERP system

Follow-up question: Are you satisfied with how ERP related customer service and support was handled at the service desk levels?

- 39% reported being satisfied with service desk support of ERP
- 44% were dissatisfied with service desk support of ERP
- Rest had no comments

Follow-up question: Has this reduced or added to the burden on the HR department?

- 63% say it has reduced HR burden
- 22% reported an increase in HR burden

6. Are you currently using or looking into using shared services and/or outsourcing to reduce administrative burden on HR while reducing costs?

This question was asked because, in different ways, both shared services and outsourcing models can help organizations reduce costs and farm out non-core administrative and repetitive HR tasks, so that the HR department can focus on key issues. This question helps us determine if the company being surveyed knows about these options and/or has already used one or more of them. Because shared services and outsourcing are usually exceptionally suitable environments for virtual teams, this question is also helpful in finding out if they might be open to the idea of using them to expedite and improve the ROI and results from such initiatives.

- 43% reported using Outsourcing
- 39% reported using Shared Services

Follow-up question: Are you open to using a combined (hybrid) approach if it is feasible?

- 68% are open to using a combined approach
- Rest had no comment

7. Are there plans to use virtual teams in the future? Are you planning on promoting/using more virtual teams in the future? Is cost reduction the only reason?

This series of questions was asked to gauge the openness of the company in using one or more of these options. The follow-up question is asked to determine if cost reduction is the primary reason for using virtual teams or if there are other reasons the company is using them (e.g., normal sector protocol or competitive advantage).

- 57% of companies surveyed reported planning on using more virtual teams in the future; 72% mentioned cost reduction as the primary reason for using virtual teams

9. If you are using virtual teams, does HR have to do more or less work to support them? What are the top three problems you have faced in using virtual teams

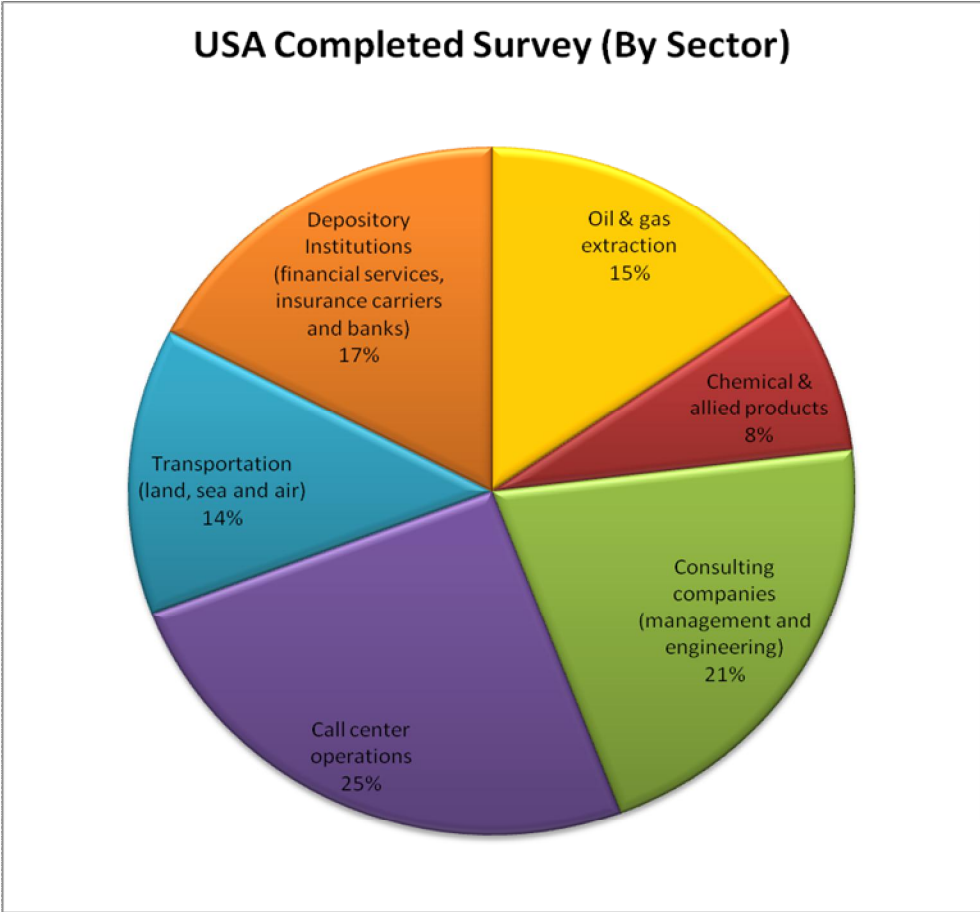
This series of questions was asked to see if the organization was using virtual teams properly or if they could benefit from optimizing their existing virtual team structure. The second part of the question identifies the top three problems companies face in using virtual teams (according to the data in this survey).

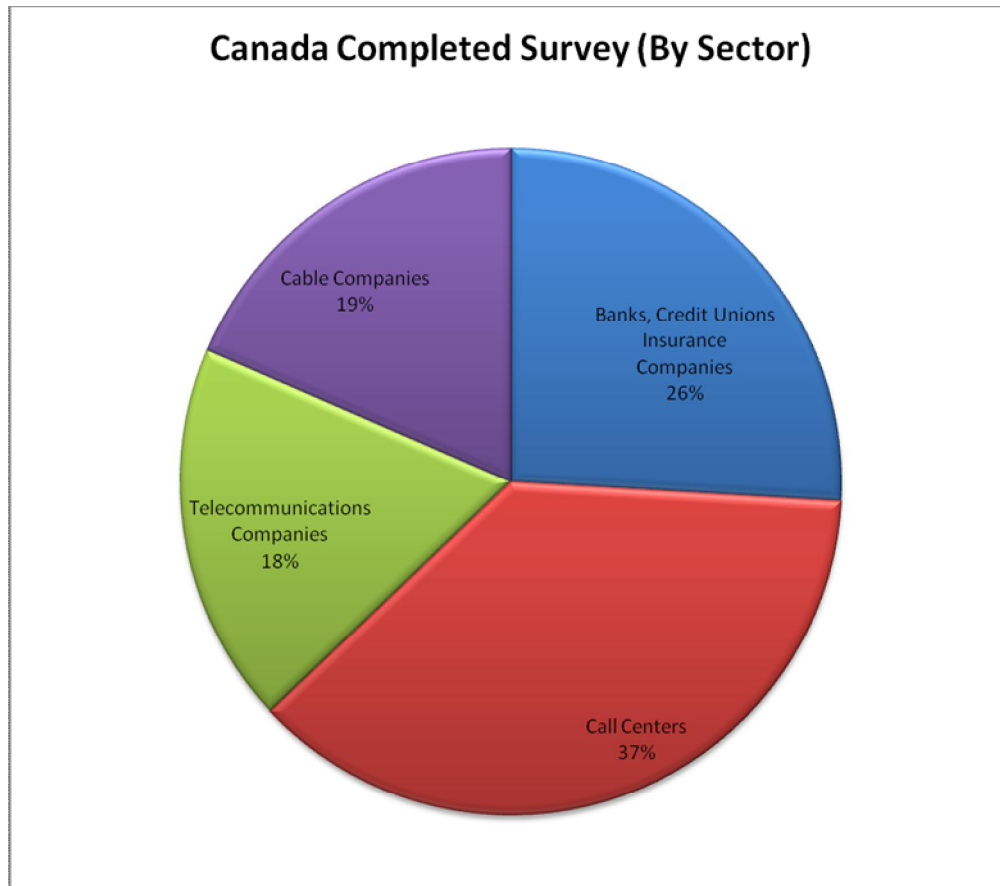
Surveyed companies reported the following top 3 problems in using virtual teams:

1. Additional training/guidance needed
2. Communication issues (especially cross-cultural communication)
3. Time-zone and distance issues

6. Results and Discussion

The data presented in the graphs is compiled from the surveys of cross-industry companies in the U.S. and Canada, respectively.





The following is a summary of the results from the data and a discussion of each point:

- Industries and sectors that are given to project, virtual and global workforce involving disparate teams and geographic locations appear more likely to utilize virtual teams. These sectors include consulting, call centers, outsourcing, information technology and financial services, respectively. Companies in the oil and gas, transportation and chemical sectors are starting to use more virtual teams, due in part to continuing economic challenges and growing political risk in conducting business globally. It seems that global companies are generally more open to utilizing virtual teams for these very reasons.
- Owing to the nature of their work and the 24/7 operational model, call center companies seem to utilize virtual teams the most, followed by consulting, outsourcing (technology and business process) and financial services companies. We expect that these sectors will remain open to utilizing virtual teams to cut costs in doing business, especially in today's volatile business environment.
- Organizations utilizing virtual teams are interested in moving beyond just achieving cost reductions and developing them into competitive differentiators that enable work to be done more flexibly and productively. Cost saving is a desired objective, but what is increasingly more important is to have competitive differentiators in place.

- Top management support is of vital importance when considering a virtual team model. A lot of (BPO & ITO type) projects with virtual teams are being reconsidered despite showing cost savings because the best practices and predicted competitive advantages have not been realized. Balancing business processes and improving them with better technology is where the majority of competitive advantages come from.
- The roles of project managers working in virtual team environments differ from their role when managing traditional teams. Operating in a virtual work/team model is very different from operating in a traditional work environment. How virtual teams are selected, aligned and trained is perhaps even more important than traditional team-building. Also, establishing group norms and values that encourage collaboration in a virtual team is essential for achieving desired productivity.

7. Conclusion and Recommendations

Utilizing virtual and mobile workforces can result in a number of benefits, including the ability of a company to reduce costs, cut travel and expenses, gain access to a more efficient labor pool and produce better collaboration between software and tools. On the other hand, organizations must be watchful when using them, as it often requires balancing competing priorities and having an enhanced focus on training and managing virtual/mobile workers, which is quite different than managing traditional employees and contractors working at one central location.

The responses received in this survey validated several opinions about virtual teams based on collective experience in building and managing them globally. However, some of the survey responses denote a change in the scope and scale of the utilization of virtual teams now versus how things were before 2008. Some of these responses can be attributed to economic reasons, while others may stem from an increase in ethnocentricity in many parts of the world due to continuing wars and conflicts. The following three trends are impacting and increasing the utilization of virtual teams:

- I. Enterprise-level initiatives such as business transformation and ERP require the calibration of cross-functional components (e.g. HR, finance, procurement, IT, etc.). This necessitates collaborating with teams across multiple sites and multiple locations.
- II. The use of HR outsourcing, shared services centers and offshore workforces is expanding significantly to include small and mid-sized organizations. These mechanisms will likely grow as globalization continues throughout the world.
- III. A significant portion of recent globalization of the labor force has been enabled by Internet technology and driven by the desire to control costs.

Our objectives at the beginning of this survey were to utilize the data and trends to provide practical information and recommendations for the following questions:

1. Why is utilizing virtual teams especially useful at present? What key opportunities and challenges should managers consider when looking to deploy virtual teams?
2. What are the biggest challenges faced in managing virtual teams these days?
3. How and when should the virtual workforce/team model be applied in business today?

4. What kinds of companies benefit more from virtual teams? Which sectors does this model not work that well for?
5. What are the (business and people) benefits from utilizing virtual teams well?

The data from this survey, as well as our previous experience in managing global and virtual teams, has led to six (6) observations and recommendations:

1. Well-designed and deployed virtual teams can help organizations reduce costs, utilize a more dynamic workforce and better manage political and economic risk better in today's volatile business environment. Virtual teams require project managers, team members and executives to consider new ways to communicate and work in the absence of face-to-face interaction. The roles of project managers working in virtual team environments differ from their roles when managing traditional teams. How virtual teams are selected, aligned and trained is perhaps even more important than traditional team-building. In addition, establishing group norms and values that encourage collaboration in a virtual team is essential for achieving desired productivity.
2. The biggest challenges faced in managing virtual teams at present include:
 - Managing social and professional interpersonal issues across distances, as there are challenges in communicating without seeing the other person.
 - Navigating disparate locations, geographies, time zones and cultures; communicating across cultures adds additional complexity to managing virtual teams because of differences in business and social norms
 - Building trust and a shared sense of purpose with virtual teams (this is a crucial component and the framework for it has to be established early on, not only by the project manager but also through actions and words of senior executives)
 - Developing effective leadership skills
 - Innovating in a virtual environment
3. Transitioning to a virtual team model is best done in a scalable manner. A pilot (proof of concept project) should be planned and implemented successfully. The lessons learned from this experience can then be applied in an incremental transitioning toward a virtual team model. Getting top management support for this and communicating the importance of implementing a virtual team model to portfolio and program management levels is a crucial component for success. This is especially true because both these functions have to adapt their administration and processes to facilitate a virtual environment.
4. In conventional and virtual team environments, defining business processes properly and aligning them with relevant technology tools is necessary for generating competitive advantages. This becomes even more important in virtual team situations, as many (if not all) of the work is done by team members in disparate locations without face-to-face contact and feedback. In large-scale business improvement projects such as ERP and shared services, it is crucial to define the desired business process and expected results before aligning and improving them with technology tools.

5. Typically, organizations given to multi-site and global operations have utilized virtual teams more. These include companies in the call center, consulting, outsourcing, information technology and financial services sectors. However, due to continuing cost and budget-cutting pressures and a lingering economic downturn, organizations in other sectors such as oil and gas, chemical and transportation are considering the benefits of utilizing virtual teams. There are also certain sectors and industries, such as federal and state organizations and educational institutions, where virtual teams are uncommon.
6. Organizations can achieve the following significant business and people benefits by utilizing virtual teams:

Benefits of Virtual Teams

According to the companies surveyed, the top 8 benefits of virtual/mobile workforces across industries in North America (U.S. and Canada) can be summarized as follows:

- 1) **Productivity Improvement:** Virtual/mobile workers can save time by working from home or other convenient locations, becoming more productive while taking reduced sick time.
- 2) **Lower Labor Costs:** Because salaries vary by geography, employers using virtual workforces can hire workers in less costly labor markets, saving money.
- 3) **Expenses Reduction:** The cost of hiring virtual employees is much lower than dedicated office space. In addition, eliminating rent, taxes and utility expenses can result in significant savings.
- 4) **Reduced Travel Expenses:** Improved virtual meeting technology and tools (Audio/Video/Web conferencing, SKYPE, etc.) have facilitated the use of virtual conferences, which has reduced travel expenses considerably for companies.
- 5) **Wider Talent Pool:** Employers with virtual workforces are not limited to employees in their local area, enabling them to hire highly qualified workers from around the world.
- 6) **Happier Employees:** Virtual employees are typically more amenable to working more often, which can help accommodate workload fluctuations. Having employees work virtually on projects with increased global risk can create a better work/life balance.
- 7) **Reduced Employee Turnover:** Employees who are more content are likely to stay with a company for a longer period of time. Because labor costs make up a large portion of the operating budget for many organizations, reducing turnover can lower operational expenses.
- 8) **Hiring Employees with Flexible Circumstances and/or Disabilities:** Employees with disabilities, unique situations or work-oriented limitations due to special circumstances (maternity/paternity/eldercare leave) can be utilized as virtual workers. This can be of mutual benefit for companies, which can get access to a valuable pool of workers that would otherwise be difficult or perhaps impossible to reach.

7. Conclusion

Training and managing a virtual/mobile workforce compels organizational decision-makers to deal with unique challenges, including distance, technology utilization, different time zones and communication barriers. This necessitates working in a leaner, more competitive environment where workers are increasingly spending more time working off-site. This is especially true for global companies with operations in disparate international locations, some of which may be particularly susceptible to increased political and economic risk. Successful virtual team building requires strategic and holistic talent utilization, as well as a shared vision for achieving desired business and project goals. It is sensible to consider the following important components when building and utilizing virtual and global teams:

- Agreement on project goals, plan and scope
- Review of team structure and team member work styles
- Importance of team cohesion
- Managing virtual, cross-functional and multicultural communication issues *
- Definition of acceptable virtual team behavior
- Senior management support

****Managing virtual, cross-functional and multicultural teams requires keen insight and planning, as issues such as indirect and cross-functional communication, time-zones, hierarchical structures and cultural differences can aggravate issues when it comes to team performance.***

In conclusion, the data from the completed and partially finished survey responses helped us meet the overall goals and objectives outlined from this research study. There is a trend toward more organizations being open to utilizing virtual teams in order to cut costs, gaining access to a wider and more dynamic talent pool and preserving productivity while downsizing human resources. There may be additional (quantitative and qualitative) surveys done on this topic if market conditions justify them. Through this survey, we know that the virtual team model is not only being utilized by HR, IT and Operations functions in traditional sectors (consulting, IT, etc.), but it is also expanding into other mainstream industries like oil and gas and transportation.

Developing and deploying a scalable, well-designed and customized virtual workforce model can provide significant benefits to organizations interested in improving business results, while managing costs. However, due to the fact that every organization is different, a customized HR evaluation is vitally important in order to make the best possible use of your organization's resources in achieving desired business objectives. Based on this survey's findings, we recommend that the decision to utilize a virtual team model be made in a scalable way, using a proof-of-concept pilot expanded to pertinent parts of the organization. It should be done as part of a holistic talent optimization strategy after careful review of each organization's unique circumstances, desired business goals and human resource capabilities.

About Chronos Consulting

Chronos Consulting www.chronosconsulting.org is a niche consulting firm focusing on utilizing human capital to achieve desired business objectives in the areas of organizational and HR restructuring and downsizing, talent optimization and leadership development, cross-functional, global and virtual team-building and shared services solutions. This survey was directed by Imaad Mahfooz, Managing Principal of Chronos Consulting. Mr. Mahfooz can be reached by email at imahfooz@chronosconsulting.org or by telephone at 713-817-1748.

8. Appendix A- Survey Questionnaire

1-A. Has your company downsized or upsized HR operations in the last 3 years?	Yes Why did you downsize (or upsize HR)	No
1-B. If so, are you using smaller teams to get the same/required amount of work done?	Yes How are these teams performing so far vs. the previous structure	No
2. Are you aware that a lot of organizations are using virtual teams to cut costs and having access to a more expanded pool of capable workers	Yes How do you know that? (Media, competitors using them etc.)	No
3. Have you utilized virtual teams, outsourcing and contractors to cut costs?	Yes- If so, which of these three options is working for you?	No- If no, would you have an interest in using them if you could see how you could reduce costs while maintaining and even enhancing productivity?
4. Has any consulting or advisory company helped you in making HR related decisions impacting your business?	Yes Are you being helped presently? What role did that company play in helping you with HR related issues	No
5-A. Are you using an ERP system for HR related functions? 5-B. Have you integrated HR with your ERP system yet?	Yes- If so, which ERP (SAP, PeopleSoft/Oracle etc.) is it and are you satisfied with how ERP related customer service and support was handled at the service desk levels? Yes- Has this reduced or added to the burden on the HR department?	No No- Are you planning on integrating HR to ERP this year? If not, what's the reason?
6. Are you currently using or looking into using Shared Services and/or Outsourcing to reduce administrative burden on HR while reducing costs?	Yes Which of these options are you using? Are you open to using a combined approach if it is feasible?	No
7. Are there plans to use virtual teams in the future?	Yes- Are you planning on promoting/using more virtual teams in the future? Is cost reduction the only reason?	No- Why is your company against using virtual reasons? What are the main reasons? E.g. inexperience with virtual model, lack of HR, budget issues etc.
8. If you are using virtual teams, does HR have to do more or less work to support virtual teams?	Yes- What are the top 3 problems you have faced in using virtual teams? E.g. more training required, communication issues & time-zone issues	No

9. Appendix B- Survey Data Break-down

1-A. Has your company downsized or upsized HR operations in the last 3 years?

- 48% of companies surveyed reported being downsized
- 8% of companies surveyed reported growth (up-sizing)

Follow-up question: Why did you downsize (or upsize HR)?

- 72% of surveyed companies reporting HR downsizing said cost reduction was the primary reason
- 56% of companies growing human resources reported additional revenue and market growth as the primary reason for up-sizing HR.

1-B. If so, are you using smaller teams to get the same/required amount of work done?

- 62% companies surveyed reported using smaller teams

Follow-up question: How are these teams performing so far vs. the previous structure?

- 56% of the companies reported better performance with smaller teams

2. Are you aware that a lot of organizations are using virtual teams to cut costs and have access to a more expanded pool of capable workers?

- 44% of companies surveyed reported knowing about the use of virtual teams to cut costs and hire an expanded pool of workers.

3. Have you utilized virtual teams, outsourcing and contractors to cut costs?

- 44% of companies surveyed reporting using a combination of the above to cut costs
- 23% of companies surveyed reported using virtual teams to cut costs
- 27% reported using outsourcing to cut costs
- 39 % reported using contractors to cut costs

4. Has any consulting or advisory company helped you in making HR-related decisions impacting your business?

- 31% of companies surveyed reporting using consulting/advisory firms for HR
- Rest did not comment

Follow-up question: What role did the consulting firm play in helping you with HR issues?

- 43% of surveyed companies reported using a consulting firm to make HR and ERP related decisions
- 24% surveyed companies used consulting firms for HR strategy & performance improvement

5-A. Are you using an ERP system for HR related functions?

- 68% of surveyed companies reported using an ERP system for HR

Follow-up question: Which ERP systems are you using with HR?

- 58% reported using SAP ERP with HR
- 34% reported using Oracle or PeopleSoft ERP with HR
- 8% reported other miscellaneous systems or stand-alone HRIS systems

5-B. Have you integrated HR with your ERP system yet?

- 51% of surveyed companies reported that HR was integrated with their ERP system

Follow-up question: Are you satisfied with how ERP related customer service and support was handled at the service desk levels?

- 39% reported being satisfied with service desk support of ERP
- 44% were dissatisfied with service desk support of ERP
- Rest had no comments

Follow-up question: Has this reduced or added to the burden on the HR department?

- 63% say it has reduced HR burden
- 22% reported an increase in HR burden

6. Are you currently using or looking into using shared services and/or outsourcing to reduce administrative burden on HR while reducing costs?

- 43% reported using Outsourcing
- 39% reported using Shared Services

Follow-up question: Are you open to using a combined (hybrid) approach if it is feasible?

- 68% are open to using a combined approach
- Rest had no comment

7. Are there plans to use virtual teams in the future? Are you planning on promoting/using more virtual teams in the future? Is cost reduction the only reason?

- 57% of companies surveyed reported planning on using more virtual teams in the future; 72% mentioned cost reduction as the primary reason for using virtual teams

8. If you are using virtual teams, does HR have to do more or less work to support them? What are the top three problems you have faced in using virtual teams (e.g. more training required, communication issues & time-zone issues)?

Surveyed companies reported the following top 3 problems in using virtual teams:

1. Additional training/guidance is needed when utilizing virtual teams vs. regular teams
2. Communication issues (especially cross-cultural communication) can be more typical
3. Time-zone and distance issues need to be considered and planned for in advance