

Managing Global New Product
Development Teams

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Introduction

As companies struggle with developing new products for a global market, more and more firms are facing the need to access a critical resource for new product development - people - that are dispersed throughout the world. This geographical dispersion means not only that those involved in new product activities are physically separated by time and distance, but that they are also separated by cultural and language differences. The challenge for managers is to integrate and coordinate these individuals and their activities in ways that will ensure success. One mechanism companies are using to bring dispersed individuals together for a new product development (NPD) project is global teams. Global teams are composed of nationals from a variety of countries. These individuals, who maintain residence in their countries, are charged with developing a specific new product or new service. Because team members come from a variety of nations they tend to have diverse cultural backgrounds and patterns of social behaviors, and speak different languages. Members of global teams also represent a variety of functional disciplines.

In light of the critical role they play in NPD, it is surprising to discover that our understanding of how to manage global teams effectively has not kept pace with their increasing use. While this may simply reflect the difficulty of managing teams whose members are scattered across the globe,² developing an appreciation of how to manage these teams is critical. Firms that fail to develop this capability may find themselves at a competitive disadvantage.

² See for example Edward F. McDonough III and David Cedrone, "Meeting the Challenge of Dispersed Team Management," *Research*Technology Management*, July-August (2000) 12-17.

To close this gap in our understanding, we undertook a study that sought to understand why companies use global teams, the challenges that managers and project leaders face in managing global teams, and the practices that they use to successfully manage their teams. See Exhibit 1 for details about our study.

Global Team Usage

Given our limited understanding of global teams, it is natural to ask why global team use has been increasing steadily³ and why managers anticipate that global teams will be used even more often in the future. The managers we surveyed indicated that there were four principle reasons for using global teams. They saw global teams as a critical means to:

- address global markets/customers by identifying common product platforms
- identify and incorporate unique needs and requirements of local markets
- capitalize on “Centers of Excellence”
- bring together dispersed resources

Reason #1. The increasing use of global teams has come about as a result of two competing needs. On the one hand is the need to develop a global product, i.e., a product that can be sold in a number of countries with very little customization. As one respondent noted, “Product definition and market attractiveness needs to be global - the regional/ country mindset must be replaced by global priorities.” For these managers the value of global teams is their ability to identify a common product platform that will appeal to customers in many different countries.

Reason #2. On the other hand is the need for companies to develop a product that is tailored to the unique needs and requirements of a local market. Because global team members are from different countries and cultures, their input and insights can be used to identify and incorporate the market needs and

requirements of their different countries into a new product. The beauty of a global team is that, properly managed, these insights can not only be used to identify different needs, but can also be used to develop common product platforms. Thus, global teams can be used to implement two different yet potentially complementary marketing strategies.

Reason #3. Managers also felt that global teams were important to capitalize on globally distributed centers of excellence. Global teams allow a company to leverage expertise that exists in different countries, rather than attempting to collect that expertise at a single site within one country by relocating team members. Not only does this save enormously in terms of out of pocket costs, but it also saves wear and tear on a team member's personal life. Team members aren't torn away from family and friends and the adjustment costs associated with relocation are avoided as well.

Reason #4. For many companies, the location of manufacturing facilities, distribution centers, development teams, and sales offices in various locations around the globe leaves them with little choice but to rely on global teams as a mechanism for bringing together these dispersed resources. Global teams allow companies to take advantage of lower manufacturing costs in one country, the central location of a distribution center in another, and "on-site" sales offices by bringing together individuals virtually. And, because global teams need to meet face-to-face only on occasion, there is minimal disruption to day-to-day activities.

³ "Effectively Managing Global New Product Development Teams," Edward F. McDonough ,Kenneth Kahn, and Gloria Barczak, *1998 Proceedings of the PDMA International Conference*, October 1998, Atlanta, GA.

The Challenge of Managing Global Teams

Pinpointing the challenges that managers face in managing their global teams is a first step in understanding how to manage these teams. The challenges that global team leaders face are principally of two types - interpersonal and programmatic.

While the leader of any new product development team faces a host of interpersonal challenges - ensuring members communicate with each other, building trust, motivating each member - the unique characteristics of a global team require a unique approach to managing these challenges. Because global team members are not co-located, building relationships and trust and fostering collaboration through frequent face-to-face interaction is simply not possible. Yet, without trust and strong relationships, collaboration suffers and communication wanes.

The unique characteristics of global teams also makes program issues much more challenging. Program issues include such things as keeping the project on schedule and within budget, finding adequate resources for the project, keeping project goals stable, getting the project done rapidly, and developing a common platform.

Keeping a project on schedule and getting it done rapidly require adequate resources. Unfortunately, companies can tend to shortchange global projects. Out of sight, out of mind can often mean out of resources as well. To keep a project on schedule and to get a project done rapidly also requires project focus and discipline. These are particularly difficult to maintain when team members are geographically remote. It is rare when a team member is able to devote 100% of their time to a single project. Often team members will work on 2, 3 or even a dozen projects simultaneously. The pressures that global team members face from on-site managers can cause them to lose focus on their global project's schedule. Combined with the barriers of geographical distance, language, and culture, it can be very difficult to

generate a sense of ownership of the project, and a team orientation – both of which are key in keeping projects focused and on time.

Managing Global Teams

We found that there are several steps that managers can take to deal with the challenges just described and to manage global teams more effectively.

1. Meet face-to-face at the beginning of the project. Holding a one or two day face-to-face team meeting before the project begins is an effective way to improve project performance, the commercial success of the product, and team morale. Whether a team meets for only one day or for as long as 11 days doesn't make a difference in regard to these measures of performance. The important point is that the team meets in the first place.

But why is it important for teams to meet? These meetings are important for a number of reasons. They provide the team with the opportunity to:

- Set project goals
- Develop project plans
- Define roles & responsibilities for each global team member

For any project to be successful it needs to ensure that clear goals have been identified. In global teams this is even more critical. When an NPD team is working all together in the same building, goals can be clarified by simply gathering the team in a room for a meeting. When the team is global, things are not quite so simple. Assembling the team is not only time consuming and expensive, but it can also take days or even weeks to assemble the team in one location. Thus, ensuring that everyone is clear about goals is critical. Successful managers used these initial global team meetings to ensure that the goals for the project were

clearly understood and that there was a commonly agreed upon goal. Ensuring clarity of goals has been found to be one of the most important elements leading to project team performance and these initial face-to-face meetings are one of the few opportunities that global teams have to spend time being with each other, seeing each other, and interacting with each other.

Successful projects also require the team to develop project plans including schedules and milestones as well as define individual team member roles and responsibilities. This is particularly important for global team members because you want to ensure that once they disperse, they will know what they are supposed to do and will be held accountable for. Likewise, it is necessary that they be aware of and committed to the priorities of the project. The initial face-to-face team meeting can be a mechanism for gaining the necessary buy-in to the project plan and the roles and responsibilities of team members. Doing so can forestall disagreements and other problems on these issues later in the life of the project.

Lastly, an initial face-to-face meeting is important in order for members to meet each other and establish policies for communicating and making decisions within the team. For example, the team might decide that certain types of information should be shared via e-mail while information related to an important project decision needs to be communicated via a face-to-face meeting, teleconference, or video conference.

2. Meet for a minimum of three days at the beginning of the project for rapid product development.

While initial meetings of less than 3 days improve performance by clarifying roles, goals and responsibilities, longer meetings of 3 days or more shorten time to market. Why? Because it is only by meeting for longer periods of time that global team members are able to build relationships with other members and learn how to communicate with them, thereby developing trust. It is these behaviors that facilitate rapid product development.

In order for teams to function well together, they need to get to know one another and to form relationships that will lead to trust in each other and in each other's capabilities. The volume of interaction that takes place in traditional NPD teams makes it relatively easy for team members to get to know each other and develop relationships. In global teams, where face-to-face interaction is at a minimum, the initial meeting provides an infrequent and thus terribly important opportunity for team members to get to know one another. Building relationships and trust among members of global teams right at the start is particularly important precisely because they meet face-to-face only infrequently. Without the initial meeting, team members do not have an opportunity to build trust and as a result may be reluctant to be as open with each other and to share nascent ideas.⁴

In order to build relationships, communication between and among team members is essential. In teams working in the same building, it is likely that members know each other and that they have worked together previously. Additionally, all members operate within the same organizational climate thereby ensuring the likelihood of similar values and norms. As a result, communication among team members is easier and more frequent. By contrast, since global team members are scattered throughout the world, it is very likely that they do not know each other, that they have never met, and that they have never worked together on previous projects. Likewise, since team members work in a different part of the organization in a different country, the probability is high that their values, norms, cultures, and ways of operating are vastly different thereby making communication more difficult.

⁴ See for example Edward F. McDonough III and David Cedrone, "Meeting the Challenge of Dispersed Team Management," *Research*Technology Management*, July-August (2000) 12-17.

By meeting for longer periods of time that global team members can develop trust, build relationships, and communicate effectively – all of which are key to enabling project decisions to be made quickly and ideas and information to be shared continuously.

3. Increase the quantity of communication.

The amount of communication among team members influences the nature and strength of the relationships within the team that, in turn, impacts team morale and project performance. In traditional teams, the physical proximity of team members allows for all types of communication to occur frequently- personal and impersonal, formal and informal. Within global teams, it is very easy for individuals to lose touch with the team and the project as a consequence of being out of sight. Language differences make it even more imperative that frequent communication and extensive information sharing occur. Thus, it is critical to increase the amount of communication within global teams if they are to be successful. Increasing communication can take many forms, the most preferred of which is face-to-face meetings. One respondent noted that their company made a point of holding these meetings at different locations, not just in the US, in order to rotate convenient hours and sites for different members of the team. Regular, even weekly, video conferences and/or teleconferences were also mentioned as being important ways to increase communication. What came through from our respondents was the need for much more interactive communication among team members and the need to ensure that team members had necessary data and information available to them. Respondents emphasized that team members needed to be kept informed and provide full disclosure to their colleagues.

4. Hold project progress meetings.

Holding progress meetings throughout the duration of the project has a positive impact on overall project performance. Though meeting face-to-face for project progress meetings can be very useful in

helping to resolve difficult issues that might be acting as roadblocks to project completion and success, the geographical dispersion of global team members makes face-to-face progress meetings expensive and time-consuming, thus necessitating the use of virtual meetings.

Why is it important for global teams to have progress meetings? Regular progress updates have the effect of:

- Keeping the team focused on project goals
- Maintaining commitment to the project and its goals
- Enhancing motivation
- Maintaining relationships

Though setting and articulating clear goals at the beginning of a project is important to project success, it is also critical to ensure that team members remain focused on and committed to the goals throughout the project. With any team, the length of the project as well as the nature of the project itself can cause team members to sway off-course and become unsure of project goals. When an NPD team is working in the same building, face-to-face formal meetings can be scheduled relatively quickly to re-confirm the focus of the project and re-affirm team member commitment. Informal discussions can also be planned and implemented quickly to steer particular team members back on-course and gain their renewed commitment. With global teams, the absence or infrequency of face-to-face interactions and pressures from being on multiple projects and reporting to multiple bosses makes maintaining focus and commitment more difficult. Frequent progress updates via video conferencing, teleconferencing, or e-mail can provide team members with the opportunity to discuss project goals, clear up ambiguities and re-confirm their commitment to the project.

For greater project performance, it is also important for team members to be enthusiastic about their project. Enthusiasm breeds commitment which, in turn, can lead to effective project completion. In

traditional NPD teams, the continual face-to-face interaction among team members and between team members and the project leader can act as a motivator for the team. Working side-by-side with team members, knowing that you are all in this together, and being able to discuss project problems and resolve those problems quickly can be very motivating. By contrast, the physical and psychological isolation of global team members can cause these individuals to lose their enthusiasm for their project and thus, reduce their motivation to continue working on it. Frequent project progress meetings can address this issue by bringing team members together, even for a short time, thereby reminding them of their role in the project and the purpose of the project.

For project success, it's also important that team members maintain their relationships with each other as it is unlikely that any team member can fulfill their role in the project in isolation. In traditional teams, the frequent interaction and communication among team members makes maintaining relationships easier than in global teams, even though conflicts can occur in any type of team. The infrequent face-to-face interaction, and geographical and psychological distance among global team members makes periodic progress update meetings even more critical, particularly if done face-to-face. Regardless, project updates present individual team members with the opportunity to renew and expand their interpersonal relationships with other team members that, in turn, can impact on the success of the project.

Conclusion

While managing global teams is a significant challenge, such teams also represent an opportunity for companies to compete more effectively on a global scale. Given the importance ascribed to global teams as a mechanism for developing new products, there is a clear need for companies to find effective ways to manage these teams.

We found that three actions are particularly critical to creating effective global teams - holding an initial face-to-face team meeting that lasts a minimum of 3 days, increasing the amount of communication amongst team members, and holding periodic progress update meetings. Though the initial meeting sets the stage in facilitating communication, building trust, and establishing interpersonal relationships, continual efforts to increase communication and project progress meetings serve to reinforce and expand these behaviors that are crucial to effective cross-functional global new product development.

Exhibit 1

The Study

Employing a survey methodology, a 3 page questionnaire was sent to a random sample of 1156 members of the Product Development & Management Association. The questionnaire asked respondents to indicate usage, challenges and performance of various types of teams, including global teams. The cover letter requested that original recipients forward the survey to the appropriate individuals in the event they were not able to complete the questionnaire.

We received a total of 109 questionnaires. Of these, 60 firms had used or were currently using global teams for NPD. The majority of our respondents held the title of manager, director, or vice-president and were from the functional areas of marketing, engineering, or R&D. Most of the firms that responded were headquartered in the U.S.