

A Brief Analysis of the Characteristics of Virtual Team and Its Application in Financial Field

Shuyi Mu, Qiwei Li*

International Business School, Yunnan University of Finance and Economics, Kunming 650221, China.

*These authors contributed equally to this work.

Abstract: After 80 years of development, virtual team is gradually used by more and more institutions in the financial industry, including banks, securities companies, accounting institutions and so on. However, the general public's understanding of the reasons and purpose of the introduction for virtual teams in these organizations and the problems it creates are very vague. In order to clearly understand its basic nature, the impact on leadership and its future development trend, this paper combines the literature research method and case study method, and draws a conclusion that virtual teams bring cost reduction and innovation to enterprises, but it generates trust problems and pose new challenges to leadership as well. But under the general trend, according to the existing evidence that can be found on the internet, it has great potential to be applied in the financial field on a large scale in the future to help enterprises transform and collaborate.

Keywords: Virtual Team; Financial Institution; Innovation; Leadership

1. Introduction

Tracking back to 19th century, to satisfy the demand for organizations to maintain effective communication, an inchoate rudiment of the virtual team arose in the period of World War II, which is called Team Jedburg. When it comes to 21st century, due to COVID-19, which had a heavy influence in every corner of the world, many service industries were subjected to the terrible shock, especially the financial institutions.^[1] Thus, creating a virtual environment to continue their operation and business becomes vital to both large scale financial companies and the small ones.^[2] With the augment of the internet, building virtual team to gather outstanding people from various areas to provide unique views and diversified solutions generally comes true, and it is implemented increasingly by financial companies to improve their competitiveness in the fierce financial market. To find out the nature and function of virtual teams and its development trend, this paper will discuss the essence of virtual team and its advantages and disadvantages dialectically in financial institutions by using case study method and literature research method, as well as analyze the suitable leadership style and predict its future development trend to show readers its increasing importance in financial activities.

2. Definition and Characteristics of Virtual team

Virtual team is defined as a team whose team-workers come from various regions and areas, communicating and cooperating with each other by applying the advanced methods such as IT and network technology to achieve the mutual goal, instead of "face to face" communicating. Townsend pointed out that virtual team is a team that uses contemporary information technology to collaborate across geography, time zones, and organizational boundaries.^[3] He figured scatter and spanning as two main features of the virtual team. This emerging form provides the probability for team members to cooperate and work together under the bound of time, space and culture. Diverse ideas and resources, each with their own advantages and coming from diverse cultural contexts, are combined to improve the effectiveness and efficiency of the organization.

3. Benefits and challenges brought by virtual teams

The reason why virtual teams won great popularity among financial institutions in current years is that it makes up the flaws brought by traditional firms. This can be explained through several angles, which include costs, efficiency and innovation.

3.1 Saving cost

First of all, one of the greatest advantages of virtual teams is that both time and money costs can be saved largely.

For instance, as one of the biggest securities companies in China, CITIC Securities possesses 84 branches and over 300 business offices in the nation. To ensure that each of them can be controlled by the headquarters and feedback can be received timely, managers of branches always take large bunch of time on the plane to headquarters just to report their current situation. Obviously, this is not a wise choice for the organization due to the expensive costs of time and money in the process, and financial pressure can also occur with it.

But fortunately, virtual teams lead to an almost perfect way to solve this problem. It makes the real-time communication among members from wherever becomes possible. Offline conference rooms are not needed in this way, venue rental will be reduced largely as well. Taking these into account, CITIC Securities established virtual teams across geographies, gathering employees from different branches online to lower the costs effectively. In its financial report for 2022, the company's balance sheet shows that the company's lease expenses decreased from about 1.7 billion yuan at the end of 2021 to 1.4 billion yuan at the end of 2022. Totally speaking, the emergence of virtual teams helps firms control the costs, alleviating the financial burden.

3.2 Improving efficiency

Virtual teams also play a role in improving the efficiency. It is not necessary to discuss face to face, only an electronic device can bring people together in the turn of a hand.

A tax accounting firm called T. A. Stearns provides services of tax primarily to individuals. The job requires exceptional programming skills and good understanding of the tax law, so people who do this work should possess great ability for integration of new legal content and interpretation of existing laws.

To meet the need, people located in different areas are organized to do the program. All of them worked at home, communicating via email or telecommunication equipment instead of off-line meetings. As use the online method, team members can receive a wide variety of information from different places, and exchange information frequently at a high level, thus the efficiency increased immensely compared with that of formulaic traditional teams.

3.3 Facilitating innovation

Apart from these, another advantage that should pay attention to is a higher possibility of innovation. In the traditional form of teams, people growing up in similar background are likely to be stuck in the same way of thinking, which leads to a canned method of solving problems. Nonetheless, as virtual teams break the limit of time and territory, people from different cultures can be brought together, thus more constructive viewpoints and suggestions from various angles can be absorbed, which facilitates the team to output comprehensive solutions with a higher quality.

3.4 Issues brought by virtual teams

Even though virtual teams brought so many benefits to financial institutions, some flaws still cannot be ignored. The disappearance of physical conference rooms may be a double-edged sword. On the one hand, it facilitates saving costs, but on the other hand, lack of off-line physical interaction and social dimension creates issues related to trust.^[4] It was found that trust has a positive impact on projects' success, teams with higher trust degree tend to have a better quality of the outcomes.^[5] Lack of the opportunity to have close interaction makes communication process become insipid, and finally leads to the enthusiasm for discussion be greatly reduced. Meanwhile, communicating online means increases the likelihood of misunderstandings, which are highly difficult to correct in a timely manner because of the time lag. All of these trigger trust issues.

4. Leadership management

As a new form of teams, the leadership of the virtual teams substantially vary from which of the traditional F2F working mode because of their different features. Comparably, it is hard to track the progress of the tasks and to establish virtual team's rules and regulations. What is more, with the virtual teams developing the team working atmosphere will change regularly in different stages. Therefore, the leadership methods are recommended to be improved and adjusted to fit the team development in different time phrases.^[6]

Virtual team development can be briefly divided into 3 stages: Initial establishment, stable development and tail-in works. In the initial stages of a virtual team, it is essential to find a way to ensure that employees follow the rules and complete their work assignments in a timely manner. Especially for the businesses in the financial segments, such as investment banking valuation, stock market analysis, and computing operations in banks require very precise and rigorous task execution and management. A more authoritarian approach is preferable in the initial stages. This is because clear role definition facilitates the clarification of individual responsibilities and makes the team more formalized, which in turn enhances trust and thus improves team coordination and performance.^[7] In Fayol's point of view, empowering individuals comes with responsibilities on their part.

After the team becoming steadier and rules being formed well, virtual team leaders can effectively delegate authority to team members while maintaining control over crucial decisions in order to inspire them and improve performance. The lack of socialization over a long period of time has led to less satisfaction and lower trust. Strict and power-centralized leading style will deepen members unsatisfactory and tire the employees both physically and mentally. This will result in a further weakening of members' motivation, communication and interaction, and may even cause dissatisfaction and resistance among members. Therefore, after a certain period of authoritarian leading, it is necessary to reduce the degree of centralization of power to a certain extent and give members controllable freedom. It is important not to maintain too strict requirements and systems, as this is not conducive to the team's culture and long-term relationship building. But maintaining of a certain degree of inertia, not suddenly too free and relaxing, is also essential to improve the member's satisfaction and build a better organization culture. At this stage, a virtual team leader who requests shared power within the team should lead in a democratic manner. It can not only create a favorable environment but also preserve the authority of a leader, which allows for the most efficient teamwork.

In terms of laissez-faire style, this suggests that the leader should only intervene when necessary. However, too much freedom can make it hard to manage and control.^[8] Without standard rules and proper leading management and regulations, the whole team will be chaotic, which will cause substantial uncertainty to the organization. The entire team will perform poorly if members are unclear about the tasks assigned to them and the obligations they should assume, which could have a detrimental effect on the competitiveness of the team. Therefore, this approach is not suitable for virtual teams and it would be better to use authoritarian and democratic approaches at different stages.

5. Forecast of the development of virtual teams in financial field

From the original implement during World War II, to the booming development in the financial field in 21st century, virtual team is accelerating to be known and used.

Recently, 360 Finance, which is a consumer finance firm that provides financial services such as small loans to small and micro enterprises and e-commerce, declared that because of the strategic adjustment of diversification and internationalization, a decision to build a data intermediary platform was made. The purpose of it is to augment the ability of each business line to rapidly retroflex the risk control ability of big data. With the general mature of virtual teams, the construction of a virtual team for integrating the business and technology sections came true. It helps ensure consistent KPIs and integration of data analytics and algorithms, improving team coordination and reinforce the common goal.

Besides this case, world famous financial institutions including JPMorgan Chase & Co. and Morgan Stanley have already adopted virtual teams to improve work efficiency and flexibility, and they are committed to enhancing collaboration and communication among employees through it. So many existing evidences are adequate to predict that virtual teams have high possibility to increase in number and bloom fast in future, people will get more chances to see that virtual teams play a more vital role in the process of enterprise transformation, innova-

tion and project cooperation in the financial area.

6. Conclusion

After nearly 80 years of development and improvement, virtual team has gradually been widely recognized and applied in the financial field. While it brings convenience and promotes innovation, it also creates new challenges for teamwork and leadership. However, based on the overall environment, it can be believed that the future of virtual teams is bright, and it will make up for the disadvantages of traditional teams in the development of enterprises and promote the development of financial institutions.

References

- [1] Suneson, G. Industries hit hardest by coronavirus in the US include retail, transportation, and travel. *USA Today*. 2020; 8: 1-3.
- [2] Carnevale, J.B., & Hatak, I. Employee adjustment and well-being in the era of COVID-19: Implications for human resource management. *Journal of business research*. 2020; 116: 183-187.
- [3] Townsend, A.M., DeMarie, S.M., & Hendrickson, A.R. Virtual teams: Technology and the workplace of the future. *Academy of Management Perspectives*. 1998; 12(3): 17-29.
- [4] Branson, L., Clausen, T.S., & Sung, C.H. Group style differences between virtual and F2F teams. *American Journal of Business*. 2008; 23(1): 65-70.
- [5] Wen, X.Z., Xie, F.T., & Liu, Y. Overview of virtual team trust research. *Commercial Science Research*. 2022; 6: 116-126.
- [6] Song, Z.Y., & Xin, H.B. Match the management style to the organization. *Enterprise Management*. 2022; 4: 32-35.
- [7] Liu, X.T., Huang, Y., Li, R.N., & Zhang, L. Virtual team research: Characteristics, evolution and trend. *Journal of Modern Information*. 2021; 9: 144-156.
- [8] Mohassel, A.H., Hesarzadeh, R., & Velashani, M.A.B. Leadership style, knowledge sharing and audit quality. Master's thesis, Ferdowsi University of Mashhad. 2022.