



A REPORT BY **HARVARD BUSINESS REVIEW ANALYTIC SERVICES**

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Managing Across Distance in Today's Economic Climate: *The Value of Face-to-Face Communication*



“Face-to-face communication contact is the broadest bandwidth communication you can have in professional life.”

EXECUTIVE SUMMARY

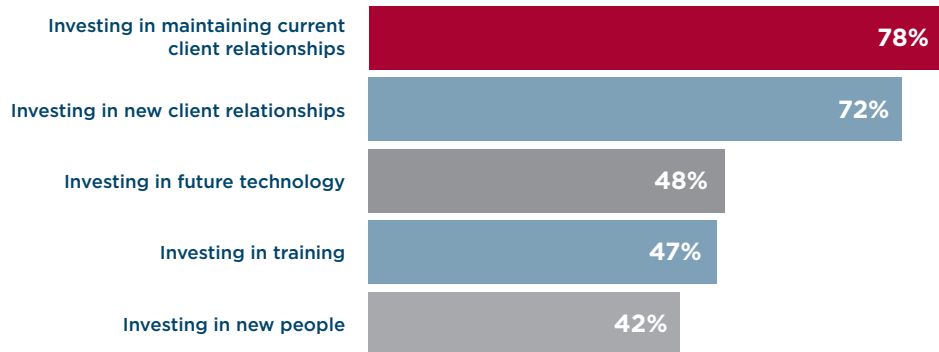
AS THE ECONOMIC PICTURE DARKENED during the recent downturn, companies worldwide tightened travel budgets, with many executives turning to the telephone, the web and video conferencing to conduct business. However, according to a survey of *Harvard Business Review* subscribers, travel to meet in person with key customers, partners and employees remains essential for selling new business as well as building long-term relationships.

In a global survey of 2,300 *Harvard Business Review* subscribers conducted by Harvard Business Review Analytic Services, 79% said that in-person meetings are the most effective way to meet new clients to sell business. Furthermore, 89% agreed that face-to-face meetings are essential for “sealing the deal.”

Virtually all survey participants (95%) said that face-to-face meetings are a key factor in successfully building and maintaining long-term relationships, reflecting what many executives call the “high impact” of in-person communication.

“We have to make that investment to be on the ground with partners and new clients in tough times if we are to go forward,” said one U.S. executive of a retail company. “Emails and phones cannot deliver the level of confidence and understanding that in-person meetings bring to the table.... Face-to-face communication contact is the broadest bandwidth communication you can have in professional life.”

The survey suggests that business leaders are expanding the use of virtual meeting technologies: 60% report very frequent use of teleconference calls and 44% predicted that they would use the technology more in the next 12 months; by contrast, more than half (55%) of participants rarely or never use video conferences. Still, these executives emphasized that face-to-face meetings are the most effective way to conduct business with key stakeholders.

INVESTMENT PRIORITIES FOR FUTURE GROWTH**QUESTION**

Of the following areas for potential investment, which do you think is the most important for driving the future growth of your business?

Sales and business development were identified as the areas where success is most dependent upon face-to-face meetings. In-person meetings also were seen as most effective for:

- Negotiating important contracts (82%)
- Interviewing senior staff for key positions (81%)
- Understanding and listening to important customers (69%)

Attitudes about face-to-face meetings underscore the pivotal role they play not only in maintaining successful business relationships but also in bridging cultural gaps: 93% agree that in-person meetings are helpful when negotiating with businesspeople who have different language and cultural backgrounds.

More than two-thirds of study participants work in companies that have operations in a number of countries. More than two-thirds also make their own decisions to travel.

Most also reported that their companies have instituted business travel restrictions, including limitations on the frequency of travel (57%), on the cost of airline tickets (57%), and on accommodations (51%). Most of those who have not seen budget cuts reported that funds for travel had been frozen.

The impact of budget reductions is taken seriously by the executives in the survey. Half (52%) said that restrictions on the number of flights they take for business would hurt their business. And a majority (78%) said that investing in maintaining current client relations is most important in driving the future growth of their business. See exhibit "Investment priorities for future growth"

"There is an understanding in the current environment that we've all had to pull back travel," said one executive. "But as the economy improves, we will start to see damage to the business if we are not out there. Bottom line: When I'm with clients less, I'm bringing in less revenue."

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FULL REPORT

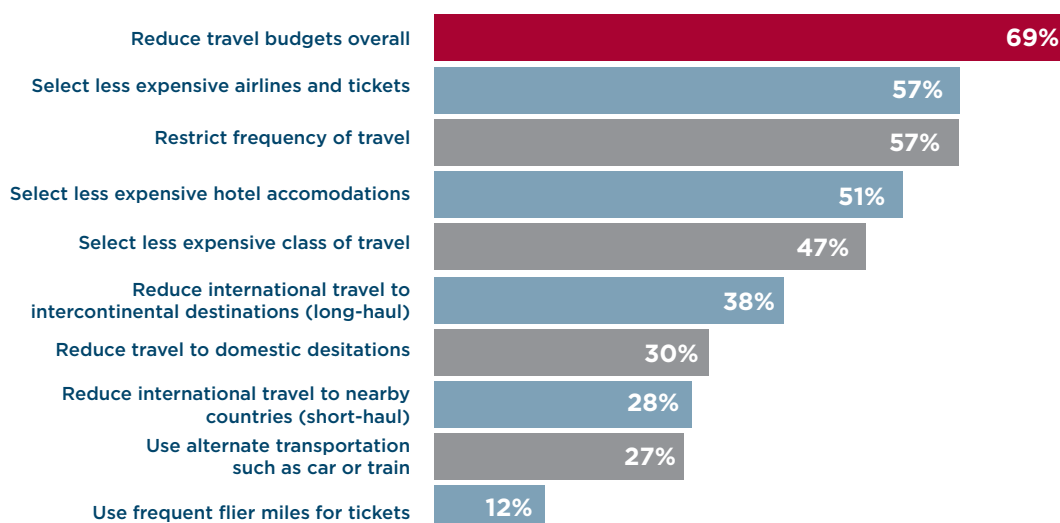
Pressures and Priorities

Travel budgets were quickly targeted when the economic downturn hit worldwide. Companies instituted cuts and restrictions, reducing either the frequency of travel or the costs associated with tickets. Nearly half (47%) of executives surveyed said that their companies have asked employees to use a less expensive class of air travel. *See exhibit "Cost-cutting measures in past 6 months"*

The average travel budget of executives surveyed shrank by 17% over the year. As a result, many said they have reexamined their business travel plans, in terms of both experimenting with technology options and setting priorities around face-to-face meetings. *See exhibit "Change in travel budgets over last fiscal year"*

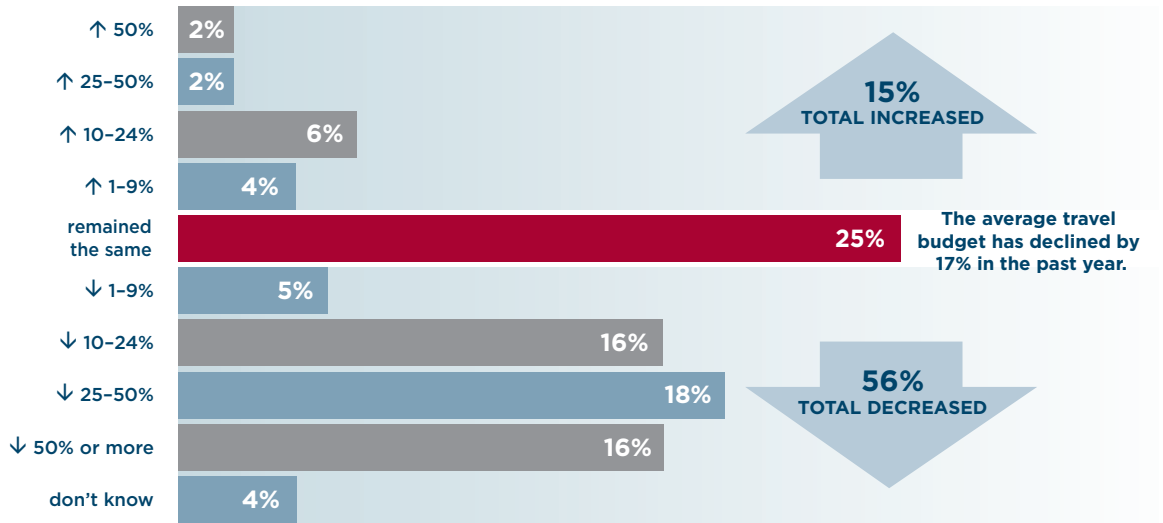
"This was not about stopping junkets; no one is raising their hand [to travel] to deal with security and swine flu, and delays," said one executive of a U.S.-based financial services firm. "Rather, we look for economies and to supplement face-to-face."

COST-CUTTING MEASURES IN THE PAST 6 MONTHS



QUESTION

Which of the following cost-cutting measures have taken place at your company over the last six months?

CHANGE IN TRAVEL BUDGETS OVER LAST FISCAL YEAR**QUESTION**

Approximately to what extent has your budget for business travel grown or decreased since the last fiscal year?

Said another respondent, “We are mindful of how travel is viewed. Employees are watching the senior team closely here at headquarters, where money is spent. But partners and employees in other locations expect to see you—maybe more now, in this tough environment. So we do think seriously about it—financially and symbolically.”

Added another executive, “We’ve been strategic about the cuts. In some cases, a teleconference is good enough. But the number one priority is keeping the salespeople with customers.”

Indeed the survey found that the importance of business travel varies by function and seniority—and, not surprisingly, it is especially important for functions that are externally facing and/or involved in business development. Those executives who said that cutbacks in travel would hurt the business were more likely to be in marketing/sales (60%) or strategy/business development (57%), or to identify themselves as a CEO, managing director, or president of a company (58%). And these executives were also more frequent travelers: Two-thirds had taken 10 or more long-haul flights in the past year.

See exhibit “Perceived impact of decrease in business travel”

By comparison, those who said that cutting back business travel would have no impact on their business were more likely to be in finance departments (36%) or IT (33%) and had not taken long-haul flights in the past year (34%).

The majority of the participants (88%) agreed that the success of sales and business development efforts is most dependent upon face-to-face meetings, followed by CRM/customer service work (55%).

Tried-and-True Trumps New Technologies

Teleconferencing is well-established as a method of communication—60% of respondents said they make very frequent teleconference calls, and 44% see using this format more frequently over the next 12 months. However, despite technological advances, in-person meetings are twice as likely to be very

frequently used (35%) as webinars (16%) or video conferences (16%). Nearly one-quarter of all participants said they never use the latter two formats. See exhibit “Meeting formats: frequency of use”

But when asked about the efficiency and efficacy of the new technologies for different purposes, the executives surveyed preferred teleconferences to in-person meetings for only one activity—managing relationships with suppliers and vendors.

In nine other areas, in-person meetings were described as being the most effective at ensuring a successful outcome. In-person meetings are key to working with new clients to sell business and negotiating contracts. Face-to-face meetings were rated as having a significant advantage over teleconferences—particularly in the areas of sales, business development, developing client relationships, and inspiring and leading staff in other offices.

“Although technology is advancing to a point where face-to-face communication is attainable, by not traveling, the side networking, the sidebar meetings and the interaction are lost,” said one executive. “Also, following a teleconference I find that my job is more complicated and frustrating trying to pull it all together.”

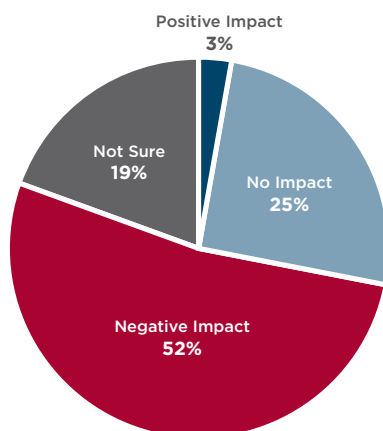
“I use teleconferences for teams to check in on projects,” an Australian consultant said. “But I find it falls down otherwise. Video conferencing has too much of the staged quality to it, and even an excellent video conference has a staged quality that is not conducive to real collaboration. Things do not get worked out unless you are elbow to elbow.”

Said an executive from Saudi Arabia: “Emails and phones cannot bring the level of confidence face-to-face meetings bring to the table. It is vital to meet with our principals and potential suppliers on a regular basis to discuss our way forward.”

When Face-to-Face Is Crucial

In-person interaction was described as key to understanding “what is really going on” with customers and partners as well as employees. Over and over, executives described how they need to be on the ground to accurately assess situations, provide the right feedback, and reinforce connections with clients and colleagues.

PERCEIVED IMPACT OF DECREASE IN BUSINESS TRAVEL



Those saying NO or POSITIVE IMPACT are more likely to:

- Have no international responsibilities (36%)
- Work in finance (36%) or IT departments (33%)
- Not take long-haul flights (34%)
- Work in companies with no operations in other countries (32%)

Those saying NEGATIVE IMPACT are more likely to:

- Have had an increase in travel budgets this year (68%)
- Have taken 10+ long-haul flights in the past year (66%)
- Work in marketing/sales (60%)
- Be a CEO/MD or president (58%)
- Work in strategy/business development (57%)

QUESTION

If you were to decrease the number of flights you take for business in the next 12 months, what impact if any do you expect it will have on your business?

Several executives cited the role of emotional intelligence in conducting business negotiations as well as crucial leadership tasks. One executive described face-to-face contact as “the broadest bandwidth communication you can have in professional life.”

Many executives’ comments echoed what Daniel Goleman, a noted expert on emotional intelligence, has written about the benefits of in-person interactions:

“Face-to-face interactions are information-rich; we pick up how to take what someone says to us not just from their tone of voice and facial expression, but also their body language, pacing, as well as their synchronization with what we do and say. Most crucially, our brain’s social circuitry mimics in our neurons what’s happening in the other person’s brain, keeping us on the same wavelength.” —The New York Times, Oct 7, 2007

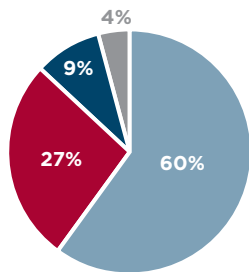
→ **DEVELOPING NEW CLIENTS**

A full 95% of survey respondents agreed that in-person meetings are both key to successful long-term relationships and to building strong relationships. Furthermore, 89% agreed that face-to-face meetings are essential for “sealing the deal.” See exhibit “Attitudes toward in-person meetings”

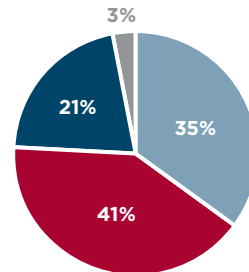
The importance of in-person meetings in cementing relationships was emphasized in telephone interviews with participants. “In shaping new business opportunities, you need to see the body language

MEETING FORMATS: FREQUENCY OF USE

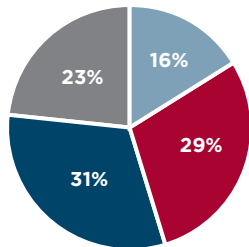
Very frequently Somewhat frequently Not at all frequently Never



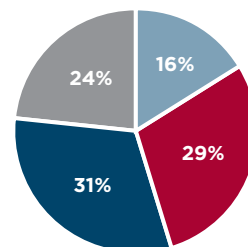
Tele/audio conferences



In-person meetings requiring travel



Webinars

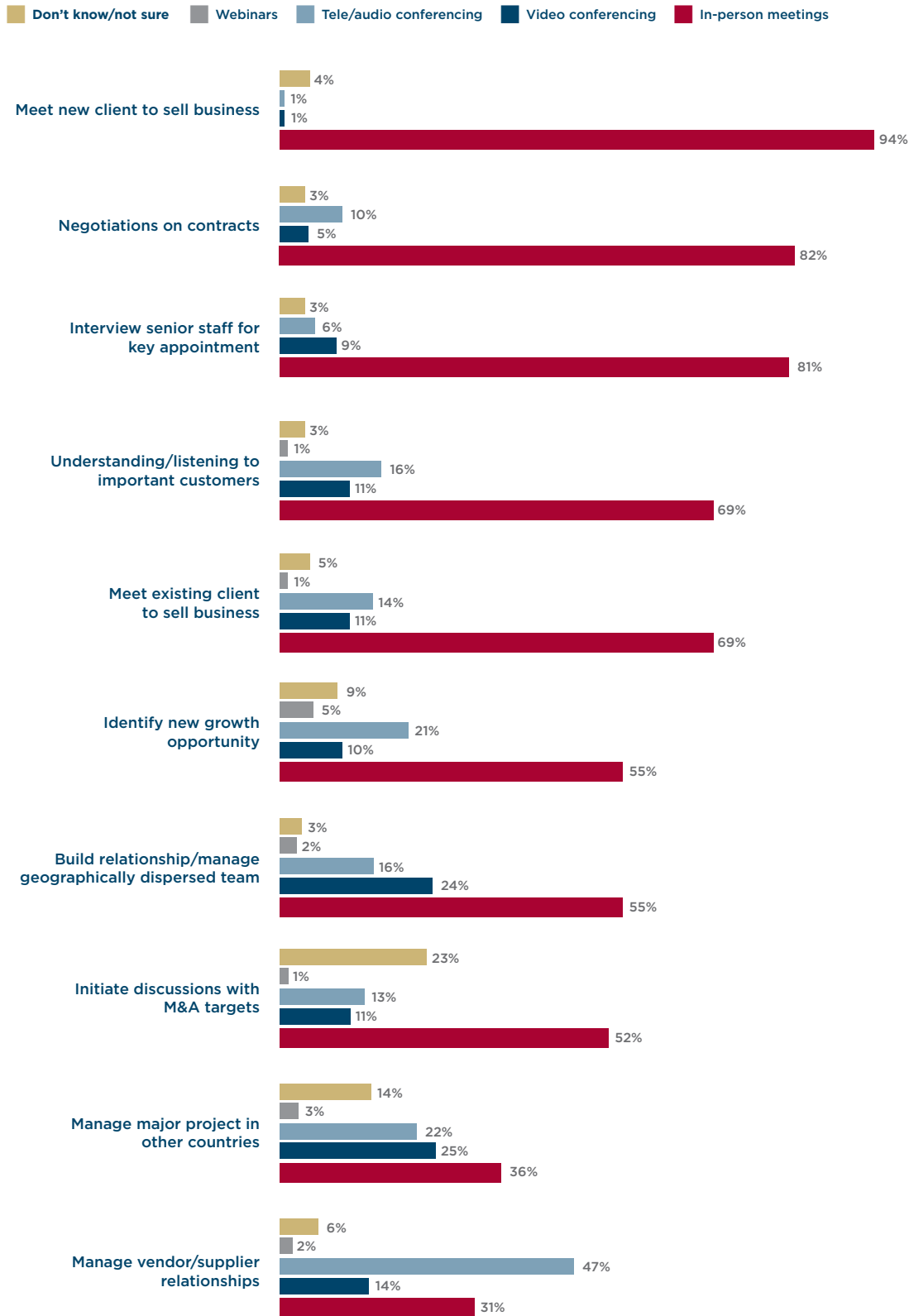


Video conferences

QUESTION

How frequently have you participated in each of the following types of meetings over the past 12 months?

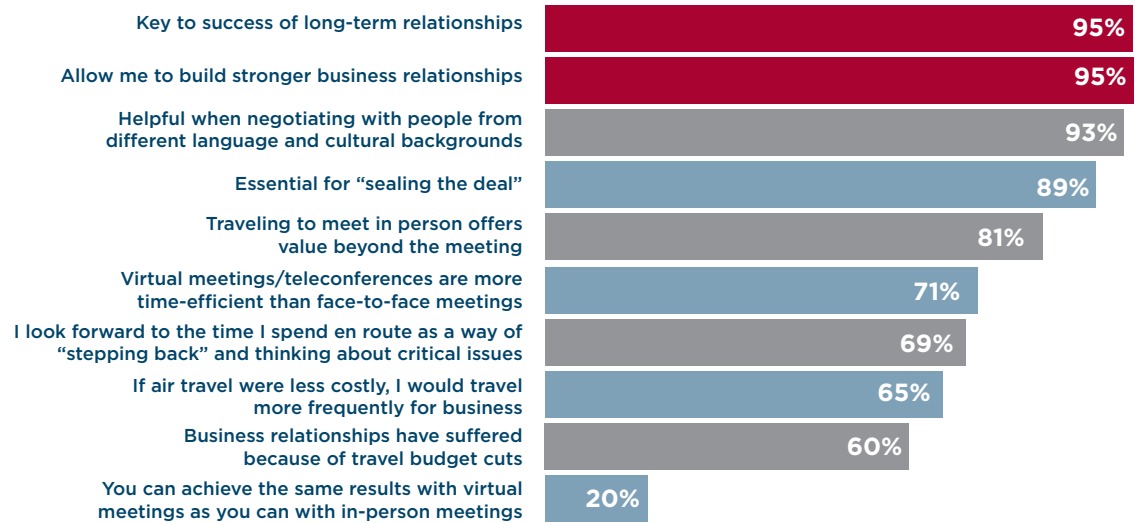
MEETING FORMAT PREFERENCES



QUESTION
Which one of the following types of meetings are the most effective for a successful outcome in each of the following meeting situations?

ATTITUDES TOWARD IN-PERSON MEETINGS

Percentage who agree strongly or somewhat agree

**QUESTION**

Indicate your level of agreement with each of the following statements regarding in-person meetings.

to get a view as to whether or not what is being proposed is acceptable," said a director of a Canadian company. "The nonverbal communication is equal [to] if not more important than the verbal."

"Travel is an investment, and you communicate to a client that you are willing to invest time and money to be with them," said a U.S. executive. "In the current environment it is doubly important to be there to close new business quickly."

Another U.S. executive reported that his company had recently lost out on some software business because in-person meetings had been restricted: "Some customers are a bit more comfortable in face-to-face meetings over the table, and they make decisions based on that. You need to look someone in the eye and really sense what they are thinking and feeling."

→ NEGOTIATING

Eighty-two percent of survey respondents said that in-person meetings are the most effective meeting type for important negotiations. [See exhibit "Meeting format preferences"](#)

Many sales executives said that talking through proposals face-to-face quickly identifies areas that need clarification and helps bring negotiations to a close faster.

"It is very difficult to be top of other people's agendas if you are not present, as they naturally give more attention to other requests, not yours," said one executive focused on business development. "Face-to-face meetings speed up alignment and decision making, which makes them more efficient in the long run."

Another participant emphasized, "You must have face-to-face meetings in working with partners to implement strategies effectively. This cannot be done remotely. There is simply no substitute for breaking bread and getting to know people face-to-face. This establishes the trust and helps move your requests up in priority."

→ **MAINTAINING RELATIONSHIPS**

A number of executives described the need to work with clients in their own environment, in order to get a full picture of the challenges and opportunities they face inside as well as outside their companies. Social events and chance conversations often lead to opportunity.

“Face-to-face information is vital, because what you see in each city allows you to gauge the severity of the economic climate and therefore your decisions on what actions should be taken,” said an Australian respondent. “There is nothing better than going to the local coffee shop or on a walk down the main street to see what is really happening.”

“If I’m away from a market too long, I can’t maintain the necessary pipeline of relationships, business deals, and future opportunities,” said a U.S. participant. “It is important to be there physically at least once or twice a year.”

→ **OVERCOMING CULTURAL BARRIERS**

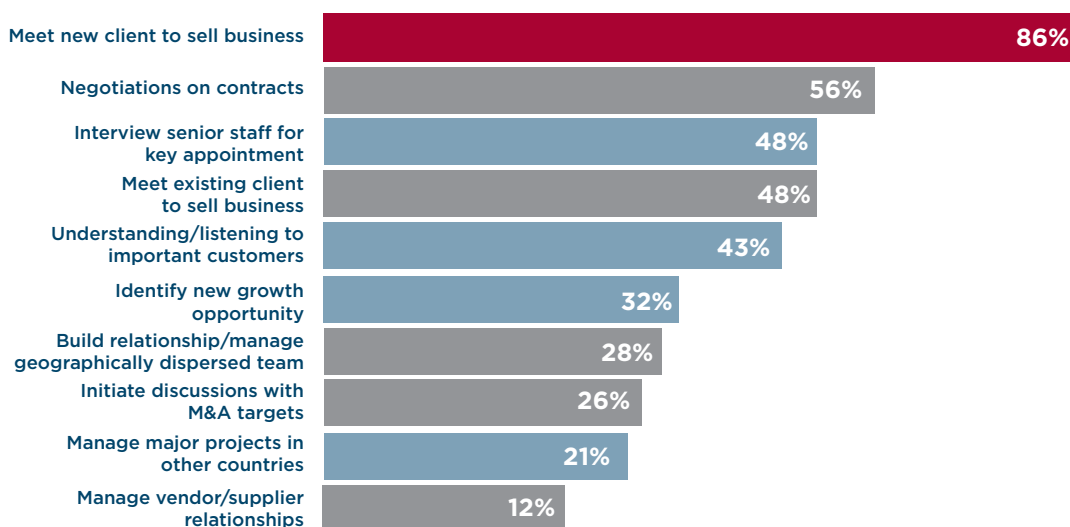
Those executives who work with clients and employees in other countries and with other cultural backgrounds said that in-person meetings help them break down barriers.

“Communicating with our Chinese partners is enough of a challenge without face-to-face, because it is very difficult to explain a difference in perspective without body language,” said an Indian executive.

Said an executive from a European-based company, “When we reduce investment in relationship building, we see more friction in interactions between colleagues in different locations. This in turn promotes insular thinking and reduces the possibility of innovation.”

MEETINGS MOST LIKELY TO BE PROTECTED FROM BUDGET CUTS

Priority to protect from budget cuts



QUESTION

In a cost-saving environment, where business travel budgets are under pressure, for which of the following meeting situations are in-person meetings still a priority?

Importance for Leaders

In interviews, some executives with leadership roles also said that a reduction in face-to-face meetings with employees would undermine their ability to communicate strategy and support morale in a difficult economic environment.

“Reducing face-to-face contact, especially in a downward economic climate, hurts collaboration and makes remote teams feel marginalized,” said one leader. “As a leader I need to be where my employees are executing our programs.”

One U.S. executive articulated the impact of a decrease in in-person interactions: “We worked hard in the past to tear down silos between headquarters and field teams. Now it seems that, since the budget cuts and corresponding decrease in personal interaction, the silos have suddenly appeared again.”

Looking Forward

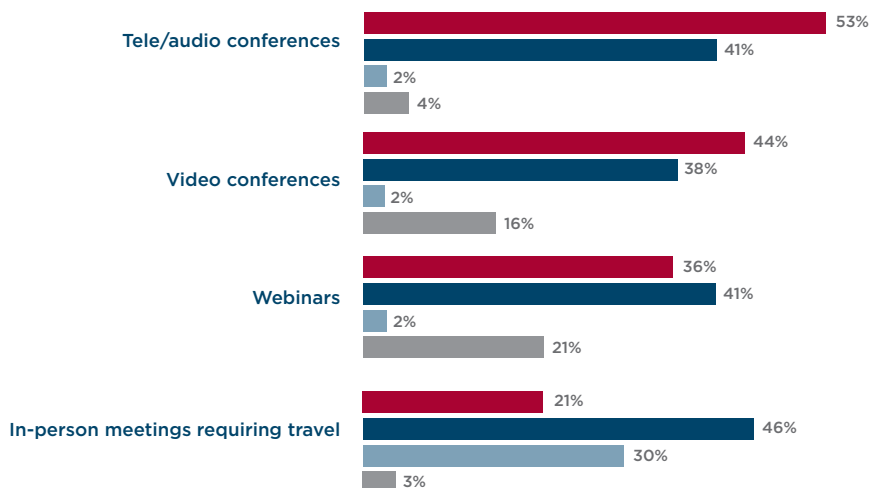
Consistent with their views on which areas of business benefit most from in-person meetings, executives see a clear need to preserve budgets for travel related to business development and negotiations. A significant majority of those surveyed (86%) stressed that travel to pitch business to new customers and clients would continue to be a top priority. More than half (56%) said that travel for negotiations of important contracts would be protected. And 43% said that visits to key customers would be spared further budget cuts. See exhibit “Meetings most likely to be protected from budget cuts”

Almost half (43%) predicted that the number of business flights in their organizations would remain the same in the next year, while 28% predicted a decrease. Twenty-four percent predicted that flights would increase. See exhibit “Expectations of number of business flights over next 12 months”

The survey seems to suggest that while the use of alternative meeting technology will continue to grow—executives projected a 51 percentage point increase in teleconference and audio conferences

MEETING FORMATS: PERCEIVED FUTURE USE

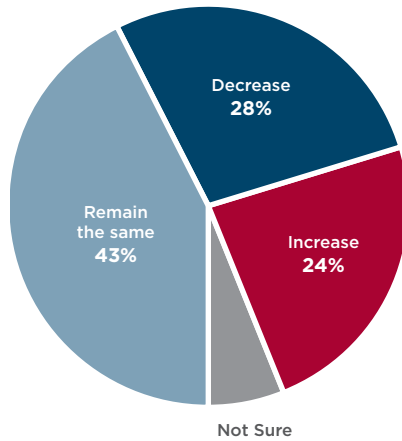
■ Increasing ■ Staying the same ■ Decreasing ■ Not sure



QUESTION

How do you anticipate your participation in each of the following types of meetings changing over the next 12 months?

EXPECTATIONS OF NUMBER OF BUSINESS FLIGHTS OVER NEXT 12 MONTHS



Those expecting flights to DECREASE are more likely to:

- Be in IT depts (34%) or HR departments (31%)
- Be managers within departments (34%)
- Take 10+ short-haul flights (34%)
- Be in a company with \$100M+ in revenues (32%)
- Be in a company with operations in 10+ countries (32%)

Those expecting flights to INCREASE are more likely to:

- Be in the Middle East/Africa (32%)
- Be in finance departments (31%)
- Be a CEO/MD or president (30%)
- Be in a company with < \$10m in revenues (29%)
- Be in marketing/sales (27%)

QUESTION

Do you expect the number of business flights you make in the next 12 months to increase, decrease, or remain the same relative to the past 12 months?

and a 42 point increase in video conference usage—most companies also believe that face-to-face meetings are essential in certain business situations. See exhibit “Meeting formats: perceived future use” Seventy-eight percent said that investing in travel to maintain current client relations is a priority, while 72% said that investing in new client relationships is essential.

“Face-to-face communication is important and can only be temporarily replaced by phone and web conferencing and emails,” said one U.S. executive in manufacturing. “The connection face-to-face is a lot more productive, and without it, my ability to create new business will be held back. We can’t afford that now.”

In conclusion: While meeting technology usage is clearly on the rise, business executives believe that face-to-face meetings are more than essential and that certain benefits of face-to-face meetings, tangible and intangible, simply cannot be replaced by technology. In order to have what one executive called “the broadest bandwidth communication in professional life,” business leaders continue to believe they will have to be face-to-face with customers, partners, and employees. ♦

Methodology and Participant Profile

Harvard Business Review Analytic Services surveyed 2,300 *Harvard Business Review* subscribers via an online survey in June 2009; 96% (2,207) qualified to complete the survey (had taken at least one business trip in the past 36 months). In addition, in-depth qualitative interviews were conducted with 15 subscribers via phone and email.

PARTICIPANT PROFILE

Region

Half of all respondents were from North America, 25% from Asia, 18% from Europe.

Demographics

The mean age of respondents was 44; 78% were male.

Seniority

Seventy percent of respondents were senior management within their organizations (head of department or above); 46% were at the executive/board level.

Length of time at current company

Thirty-seven percent of respondents had been in their organizations for 10+ years.

Education

Thirty-eight percent had postgraduate degrees.

Job function

One-third (32%) were in general management. The main functions represented were strategy/business development (19%), marketing and sales (14%), HR/training (9%), operations/production (8%), finance (6%), and IT (5%).

Industry sectors

The single largest sector was consulting/professional (accountancy/legal), accounting for 20% of all respondents. The next largest sectors were IT/telecom (15%), manufacturing (14%) and banking/financial services (11%). These four industry segments accounted for 60% of all respondents.

Size of organization

Thirty-six percent of respondents worked in companies with an annual turnover in excess of US\$1 billion; average turnover was US\$650 million. Average staffing was 4,200 employees worldwide.

International remit of respondents

More than two-thirds of respondents worked in organizations with foreign operations; 57% had international responsibilities.



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