

**2022 Fifth Global Conference on International Human Resource Management**

**Developing perceived proximity in virtual organizations**

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### Introduction

While widespread Internet access and advances in information and communication technology have enabled knowledge workers to carry out their tasks regardless of geographic location, inability to rely on physical interactions among employees provokes managerial challenges specific to operations in highly virtual work environments. Some of them, such as diminished knowledge sharing (Allen et al., 2015) and those related to employee perceptions of organizational membership (Wiesenfeld et al., 2001), concern organizational level and need to be studied in the context of virtual organizations (VO).

The broad definition of VO refers to organisational entities that rely on a network of geographically dispersed teams and/or individuals (Riemer & Vehring, 2012), sometimes operating completely without physical premises (Asatiani & Penttinen, 2018). In this research we focus on internal VOs, which consist of virtual collaborators residing within one organizational entity (Asatiani & Penttinen, 2018).

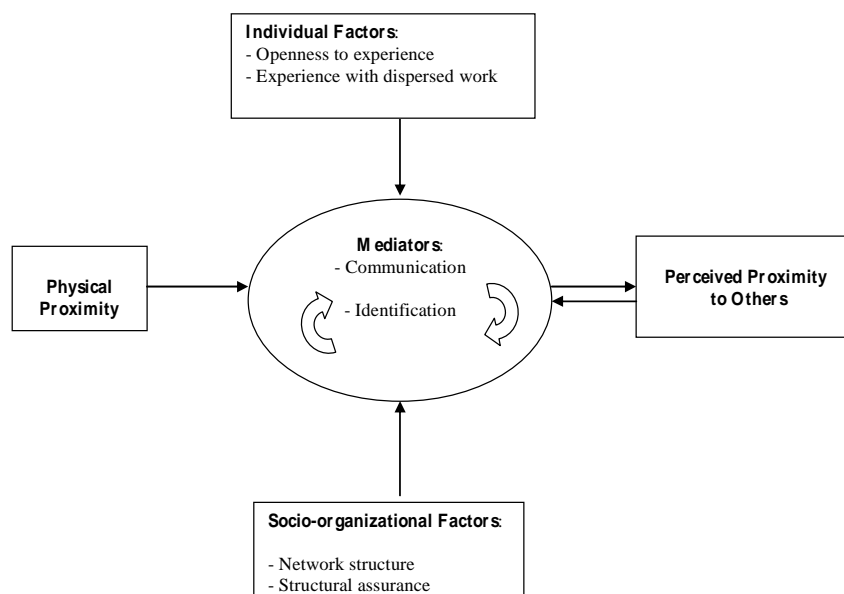
It is important to understand how internal VOs cope with challenges linked to remote work and develop perceived proximity: “a dyadic and asymmetric construct which reflects one person’s perception of how close or how far another person is” (Wilson et al., 2008: 979) or “a cognitive and affective sense of relational closeness” (Oleary et al., 2014: 1219). We extend the definition of perceived proximity by Wilson et al. (2008) from individual level to both individual and organizational levels and define perceived proximity to organization in virtual organizations as an employee’s perception of closeness to employer and distant teammates (other employees with whom the employee works together) and formulate our research question as: *How is perceived proximity to organization (to employer and other employees) developed in virtual organizations?*

## Theoretical background

We build our paper on the model of perceived proximity developed by Wilson et al. (2008), which is applied to dyads working together distantly (see Figure 1). Individual's perceived proximity to a colleague is the outcome of communication and identification processes between them that are in turn influenced by different individual and socio-organizational factors (Wilson et al., 2008).

Communication and identification are two core processes to influence perceived proximity to others; they impact perceived proximity by increasing cognitive salience (Sutrop, 2001), reducing uncertainty, creating a basis for common grounds, and attributing positive ascriptions to geographically distant colleagues (Wilson et al., 2008). Factors that affect communication and identification processes include individual and socio-organizational. While the perceived proximity model by Wilson et al. (2008) was developed on individual level, socio-organizational factors such as structural assurance and network structure are helpful to better understand the rationales behind perceived proximity on organizational level.

Figure 1: Individual perceived proximity (Wilson et al., 2008: 984)



## **Methodology**

We conducted a qualitative, comparative case study (Yin, 2018) of two small-sized internal virtual organizations (further referred as VO1 and VO2), that were founded in a knowledge intensive industry in 2015. Primary data is represented by 24 semi-structured in-depth interviews, and is complemented by text documents of secondary data, obtained from posts on VO founders' Instagram blogs. The data was analyzed using descriptive coding (Miles et al., 2014), where some codes were attributed to concepts mentioned in the literature (e.g., components of the model by Wilson et al. (2008)) and other emerged progressively in an inductive manner and were linked to other existing concepts such as employer branding and psychological contract.

## **Results and discussion**

The study revealed that despite geographic dispersion and rare or absent face-to-face contact among colleagues, employees' perceived proximity to organization on individual level, observed through employees' feeling of closeness and willingness to socialize with colleagues, is high. Perceived proximity to employer, indicated by cognitive and affective perceptions of closeness towards the founders, is of different levels in two VOs depending on the type of psychological contract developed (Rousseau, 2004). While employees develop a relational psychological contract in VO2, employees of VO1 build a transactional type of psychological contract. Employer-branding activities signalled through different human resources (HR) practices have an impact on the type of psychological contract developed by employees (Guest & Conway, 2002) and thus on the level of perceived proximity to employer. The differentiating role of HR practices in developing identification with the employer is explained further (see Table 1 for a summary).

Table 1. Summary of results

Components of perceived proximity model / company		VO1	VO2
Structural assurance (organizational level)	Technology	Mandatory use of technology: Project management software; Messengers; Raster graphics editor; Graphic design platform; Platform for online courses; Spelling checkers, etc.	Mandatory use of technology: Project management software; Messengers; Web-based vector graphics editor and prototyping tool; Platform for online courses; Collaboration application; Online whiteboard
	HR practices signalling employer branding message	Employee attraction executed through founder's social media blog; Initial loyalty is considered a prerequisite for employment; Focus on results rather than on time spent working; <i>Employee training</i> <i>Transparent project-based remuneration</i> <i>No employment contracts</i>	Employee attraction executed through founder's social media blog; Initial loyalty is considered a prerequisite for employment; Focus on results rather than on time spent working; Multi-step selection process; <i>Employee training and development</i> <i>Top management development</i> <i>Fixed monthly salary adapted to the position and workload</i> <i>Career development opportunities</i> <i>Corporate institute</i> <i>Employment contracts signed with about half employees</i>
	Project management	Systematic project management	Systematic approach to work: setting up interesting and challenging tasks; setting big and intermediate goals, transmitting the importance to achieve these goals to employees; systematic task management
	Organizational structure	Two lines of business: Social media marketing agency, divided into product and sales departments, and Social media marketing school	Division of work by departments: marketing, product, sales, support department, human resource manager
Network structure (organizational level)	High network density	<i>Selected social media marketing school graduates' community</i>	<i>Communities by departments and project teams</i>
Individual factors	Desire to work remotely	Preference for flexible work schedule Valuing location freedom	Preference for a flexible work schedule Valuing location freedom
Communication	Frequency	High	High
	Depth	High	High
	Interactivity	High	High
Identification	With employer	Low	High
	With other employees	High	High
Perceived proximity (feeling of closeness)	To employer	Low <i>Transactional psychological contract</i>	High <i>Relational psychological contract</i>
	To other employees	High	High

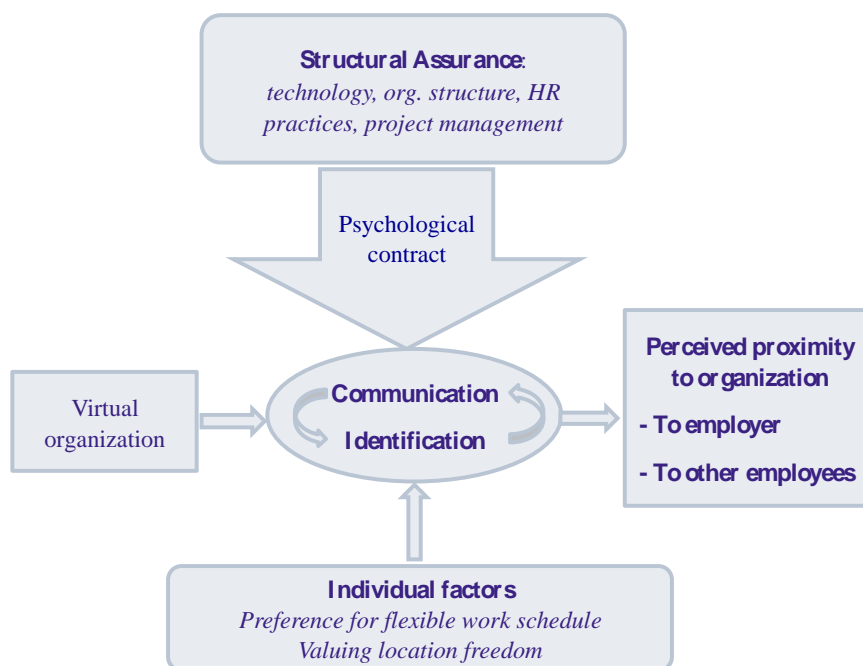
\*Differences between two companies are reported in italics

Network structure and structural assurance support high levels of frequency, depth, and interactivity of communication among colleagues in both VOs. Both VOs use HR practices to show VO founders' identities to form initial level of trust towards the employers (McKnight et al., 1998) as well as to create a pool of candidates who already identify with the employer and can potentially identify with the current employees. However, when entering these two VOs, candidates receive different signals about psychological contracts developed with employees. While VO1 does not provide a distinctive organizational image (Dutton et al., 1994) to identify with and shapes transactional psychological contract with its employees, VO2 uses HR practices to showcase both employees' and employer's identities and builds relational psychological contract with its employees.

### *Conclusion*

Our study confirms Wilson et al.'s model (2008) of individual perceived proximity and reveals that with the support of HR practices signalling employer branding messages, employees develop perceived proximity not only to their colleagues, but also to the employer through the processes of identification with the employer and communication with colleagues (see Figure 2). The results also demonstrate that in the VO with transactional psychological contract identification with organization and perceived proximity to employer are low while in the VO with relational psychological contract identification with organization and perceived proximity to employer are high.

**Figure 2: Perceived proximity to organization**



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