Beyond Yahoo

Breaking down the “virtual” versus “campus” debate

BY HEATHER STOCKTON, JEFF SCHWARTZ, MARY ANN STALLINGS, AND STEPHEN HARRINGTON

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Marissa Mayer’s decision last year to revoke Yahoo’s telecommuting policy caused an avalanche of reactions from both advocates and critics of flexible work practices. One side pointed to Yahoo as if to say, “See? We always knew employees couldn’t work outside the office.” The other suggested that Mayer made a decision counter to modern common sense.
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Breaking down the “virtual” versus “campus” debate

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Richard Branson, founder of Virgin Group, noted that this seemed “a backwards step in an age when remote working is easier and more effective than ever” and that he had never worked from an office in his entire career—and never wanted to.

While the Yahoo story stirred the debate about flexible workplace strategies, the conversation on this topic is often based on emotion rather than on analysis and fact. This should not come as a surprise given that the way we naturally connect to this topic is personal. It confronts the basic principles of what work is—indeed, what hard work, productivity, and commitment are. Many of us came up through organizations in a time when long hours were rewarded and anything less was seen as a lack of commitment to the organization. We were raised in an environment where long hours were highly visible in the office. Even proponents of flexibility can be forgiven for praising young employees because they’re at work by 7 a.m. This reflexive reaction is driven by a centuries-old bias.

But layered in this controversy is a key question: Is the move to virtual work inevitable? Also, what is the future of the traditional office, and where does the concept of the corporate campus fit in the future of work? In many sectors, the nature of work is changing, and there is evidence that both virtual work and a campus-based approach have benefited employers who implemented them. Hybrid models, which couple elements of campus and virtual models, are often the answer, capturing the available benefits of both workplace strategies.

THE TRADITIONAL STRUCTURE, STILL GOING STRONG

In 1915, the Equitable Life Insurance Company introduced the “modern efficiency desk” to its offices—a design meant to provide managers with a clear view of workers at all times. The ideas (and the stop-watch) of Frederick Taylor spread its influence beyond the industrial landscape as scientific management stormed office buildings throughout the industrialized world. From that point forward, the dominant command-and-control theory of management supposed that managers had to play an active role in directing work, enforcing quality, and ensuring high productivity. Organizing workers in spaces where managers could easily observe them was critical to the success of this theory. This approach to work is still the norm. We rely on our buildings, cubicles, and our administration to enforce face time as a measure of productivity.

But mobile technology presents a compelling case for changing the way we work. Communication theorist Marshall McLuhan has written that “the medium is the message;” the message that technology inherently communicates is more powerful than any message broadcast by it. Television content can move viewers, inform them, and even change their minds and behaviors. But it is the television
itself that reorganized our living rooms, our daily schedules, and our understanding of what entertainment is. Mobile technologies—ubiquitous Internet connectivity, laptops, smartphones, and tablets—are trumpeting another unmistakable message: We can work, play, and communicate from anywhere. While it would be overreacting to bulldoze the office because tablets and smartphones have suddenly caught on, the cultural impact of the connectivity represented by these and other technologies may have subtle and eventually profound effects on the preeminence of physical presence as the currency of performance assessment.

Technologies notwithstanding, the basic conventions of the workplace haven’t changed much since 1915. Time-bound schedules and office-bound work locations persist. In some cases, we still have the traditional structure due to the practical realities of the work itself. Retail employees often need to be on-site to assist customers, and industrial workers may work on an assembly line or at a field site. But in other cases, it is driven by managers’ fear that their employees won’t be productive if they can’t see them. This may be false comfort, however. Presenteeism, a term once used to describe people who felt obligated to come in to the office even when they were sick, now refers to employees who show up at an office even when they could be more productive elsewhere. It costs American organizations over $150 billion per year in lost productivity—approximately 10 times the cost of absenteeism.

Despite a relentless focus on productivity, Gallup poll data still... the dominant command-and-control theory of management supposed that managers had to play an active role in directing work, enforcing quality, and ensuring high productivity. Organizing workers in spaces where managers could easily observe them was critical to the success of this theory. This approach to work is still the norm. We rely on our buildings, cubicles, and our administration to enforce face time as a measure of productivity.
suggests that 70 percent of Americans are disengaged in their work, and 20 percent are actively disengaged—they reject their organization’s mission and culture, take unnecessary breaks, and find excuses to avoid work. In response, some companies are building workplaces designed to address ebbing engagement. For these firms, there are two diametric approaches—campus and virtual—to consider when strategically designing the way we work.

THE CAMPUS: ONLY IF IT IS A PLACE PEOPLE WANT TO BE

It was high-tech firms that first gave life to the corporate campus. Though the term had not yet been invented, one can look as far back as Xerox’s PARC (Palo Alto Research Center), which was established in 1970. The campuses later established by firms like Apple and Google are designed much like a university—buildings are located together on a large piece of land. Building a custom campus allows an organization to control the design of an office environment’s superstructure; facilities are customized to support an organization and its people. Locating a large percentage of an organization’s employees together encourages a shared culture and sense of belonging, and it provides easy access to a firm’s people resources. For companies recruiting employees directly from colleges, a continued campus lifestyle can be a powerful recruitment tool.

Unlike the heavily studied topic of virtual work, not much attention has been given to the campus phenomenon. Perhaps because of this, definitions of the term are all over the map. Some firms construct campuses to control or even build local employment markets and, in some cases, to shield staff from outside influences. The corporate campus has a great deal in common with the learning institutions from which it borrowed the name. They are designed to be hip and fun while encouraging continuous learning and a culture of collaboration and innovation. The employee perks are well publicized: concierge services, daycares, fancy cafeterias, and fun zones. The objective is to build a structure that can integrate both work and life.

As attractive as a campus can be, the change required for a traditional and geographically distributed organization to implement one can be daunting. Plus, it’s not all fun and games. The benefits of a campus come with clear and often difficult-to-mitigate trade-offs. In some cases, a campus can create undesirable or counter-productive cultural changes that outweigh any benefits.

Clearly, building a campus requires a significant investment in the physical workplace. Given the cost, finding the right link to business objectives is critical. Because the campus is a customized space, it must be tailored to a company’s particular culture and goals. For example, while Google employees may embrace a space
with a slide ride from one floor to another, a company building a campus space for lab technicians may find their culture rejecting that kind of feature in favor of something else. Regardless of the specific features, organizations often use the campus to serve a larger cultural purpose such as being a “hub” in the company’s network to bring employees together for a common purpose.

The campus approach is well suited for organizations where business objectives require:

- **Strong sense of corporate culture:** A sense of ownership and empowerment over workspaces has been shown to contribute to psychological comfort, a sense of belonging, and even commitment to an organization. The emerging campus creates a strong sense of community and belonging in the workplace.

- **High collaboration:** Campuses create a variety of spaces for the purpose of collaboration. Whether it’s a meeting room with whiteboard tables, a lounge with refreshments, or an open space with configurable furniture, the opportunity to connect and share ideas is around every corner.

- **Creativity and innovation:** Campuses are often deliberately designed to enhance the probability of serendipitous encounters and interactions. These spontaneous interactions can frequently lead to innovative ideas and outcomes.

- **Rapid experimentation:** Campuses are now focused on bringing talent together in the same space for convenient collaboration. Co-location can also build innovation practices that match the increasing speed of business. These campuses provide platforms and incentives for participants to engage in rapid, low-risk prototyping and to succeed or fail quickly and inexpensively.

- **Integration of work and life priorities:** The campus often has services that help employees manage their daily lives: cooking, dry cleaning, grooming, massages, and doctor’s appointments. The workplace becomes a one-stop-shop for both work and life necessities, enabling employees to remain at the workplace for longer periods of time.

The decision to build a campus, whether as a standalone solution or as part of a hybrid approach, can bring significant benefits to an organization in terms of engagement and productivity, but there are trade-offs. One of the most significant is cost per employee in terms of real estate and services. Additionally, campuses include some less tangible, but real, costs:
• **Disruption for independent working**: A strong focus on collaboration, social interaction, and teamwork can compromise time for independently “doing” work and become a source of frustration for employees.\(^\text{14}\) Research shows that frequent interruptions are linked to higher rates of exhaustion, stress-induced ailments, and a doubling of error rates.\(^\text{15}\) Employees have already developed their own coping mechanisms, such as wearing headphones or putting up “do not disturb” signs.\(^\text{16}\)

• **Talent**: If everyone is required to come to the office, top talent can only be pulled from a limited geography. It is also more difficult for organizations to build long-term career paths as the inflexibility of the campus can strain employees in life stages that don’t integrate well with the campus (e.g. young families, aging parents, etc.).

• **Increased travel costs**: Employees who travel to an office every day make a significant investment in time and money spent on commuting. In the United States alone, 10.8 million people commute an hour or more to work each way,\(^\text{17}\) adding an extra 10 hours to the work week. Additionally, traffic congestion alone costs the US economy more than $121 billion dollars annually or an average of $818 per commuter.\(^\text{18}\)

• **Proximity to key partners**: Due to their size, campuses are not typically located downtown, so they’re further away from clients, partners, and vendors.

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**SPOTLIGHT: GOOGLE**

At Google, no two offices are the same, but visitors to any of their 70 offices around the globe can expect to find a common experience. Built to provide employees with services and facilities intended to increase productivity and maintain a healthy body and mind, you will find features such as employee-sharing workspaces, yurts, and huddles; lounges with recreational equipment and toys, bowling alleys, and climbing walls; whiteboards for spur-of-the-moment brainstorming; cafes and micro-kitchens stocked with healthy food; and cafeterias serving three complimentary gourmet meals each day, among other unique and fun features.\(^\text{19}\) Officially, Google employees are permitted to work from home, but according to the CFO, this is not the norm as they believe in fostering an environment of togetherness through the sharing of meals, ideas, and on-site recreational activities intended to bring employees and the company together.\(^\text{20}\) Google invests heavily in creating a space tailored to the user experience so that employees truly want to be there. It is estimated that Google spends over $72 million each year on food alone for its American offices.\(^\text{21}\)
The essence of a campus is that it is a vibrant location where employees feel connected and excited to come to work. In these cases, companies do not need to require employees to be physically present because employees want to be there.

**THE VIRTUAL ORGANIZATION: BREAKING OUT OF THE OFFICE**

The past few decades have also seen the rise of virtual work environments. The notions of “telecommuting” and “telework” were first coined in 1973 by Jack Niles, a researcher at the University of Southern California, but the names and definitions have evolved over time. With so many variations and a 30-year history of experimentation, some of our biases against virtual work come from experiences with programs that failed to achieve their objectives. Often, these programs put employees into virtual work as an HR-policy-driven, privilege-based exception, causing conflict in teams between haves and have-nots and creating a subculture of employees who feel out of sight and out of mind.

Over the last decade, more companies have successfully stepped beyond the experimentation phase to build flexible organizations instead of limited programs, establishing virtual work practices that benefit employees as well as their organizations. Among the benefits are improvements in productivity and employee engagement, reduced absenteeism and sick days, real estate cost savings and efficiencies, and increased perceptions of innovation, job performance, and workplace satisfaction. Additionally employers are benefiting from decreased pressure on pay as employees are increasingly demanding flexibility over salary.

Some of the uptick is the result of improved engagement, and some of it is explained by pushing work beyond the transaction of time in a designated space, opening up a broader horizon for productivity. One employer found that employees who are able to work remotely give 40–60 percent of their previous commute to work.

**SPOTLIGHT: ZAPPOS**

Zappos, the online shoe and clothing retailer, recently opened the doors to its new $18 million Las Vegas headquarters. The primary focus of the new office design was the encouragement of “intentional inconvenience”—people interactions directly resulting from the office configuration and surrounding infrastructure—intended to build relationships among employees as well as people outside the organization. Inside the building, the focus is on collaboration with square footage per person deliberately designed to keep people closer together. Additionally, desks are linked but can be easily disconnected or moved so the space can continually adapt to the changing needs of its workforce.
time back to their employer. This suggests that employees can optimize their own productivity, given the freedom to make more autonomous decisions about when and where to connect with what matters.

Despite the compelling benefits of virtual work, sending all employees out of the office to work can be an uncomfortable proposition for a traditionally organized firm. The virtual approach works effectively for organizations where business objectives suggest the following needs:

- **Varying degrees of collaboration:** Employees that have low or varying needs for connection and collaboration benefit from the ability to work virtually and choose an effective location for the task at hand. For example, employees that work mostly through phone or computer systems and need to deliver volume for a business tend to benefit from the ability to work virtually and integrate work with life, and they are less impacted by a reduced frequency of face time for collaboration. Contact centers are already seeing impressive results, including significant reductions in turnover and absenteeism and a 13 percent increase in productivity.

- **Highly skilled, independent employees:** Likewise, highly skilled employees that operate independently in highly creative or specialized fields can benefit from a work environment that is free from interruption and commuting time.

- **Differentiated employment experience and broader employment reach:** In challenging markets for attracting talent, or where a business requires difficult-to-attract skills, flexibility can improve a business’s ability to broaden its talent pool. Mature virtual organizations can hire the best available resources whether they are located around the corner or on the other side of the world.

- **Enabling technology:** Many businesses are still constrained by paper hand-offs and processes that cannot extend outside an office. Once a costly investment, mobile devices such as tablets powering “thin clients” are quickly becoming more cost effective than traditional network provisioning with desktops. With these technologies in place to improve operations, it’s no longer a giant step to consider the benefits—for employees and employers—of a virtual work environment.

Though there are instances that prove it is possible, it is the rare company that can make a fully virtual solution work. As with the campus model, creating an
entirely virtual organization or workforce segment comes with some critical trade-offs that deserve serious consideration. Managing virtual work often involves a wider range of management and supervisory models and styles; command-and-control management is usually more challenging when employees are working out of a manager’s line of sight. Some organizations have tried to compensate by introducing technologies that monitor offsite employees down to the keystroke, but this kind of monitoring has been shown to damage employee morale and could counteract some of the positive impacts of a virtual work strategy.

Purely virtual work environments can also compromise a company’s ability to kindle some important attributes:

- **Culture:** Working outside a traditional office can strain communications unnecessarily if an organization’s culture is not strong and aligned to business objectives.

- **Collaboration:** Virtual collaboration remains a difficult prospect. As almost all jobs require some form of collaboration, organizations need to deliberately build necessary interactions at key times (e.g. onboarding new virtual staff). However, it is important to note that “virtual-ready” organizations are more likely to be able to efficiently interact with other “virtual-ready” partners, including vendors and customers. On both sides of these “virtual-ready” relationships, organizations have built processes and cultures that are not constrained by physical space.

- **Serendipity:** In collaborative organizations, unexpected interactions are engineered by the environment, multiplying the probability of discovery. Though a critic could argue that serendipitous discovery is rare even in traditional offices, it becomes still more difficult in a fully virtual environment. Social media do allow serendipity to some degree, but planned encounters such as conferences continue to grow in popularity. Concentrated exposure to like minds can lead to discovery that is not boxed in by search engines or hashtag topics.

While there are clear benefits to the virtual workplace, the potential drawbacks are significant. A company contemplating this sort of arrangement for all or part of its business would do well to assess whether its culture is one that encourages employees to connect easily and efficiently.
THE HYBRID: A TAILORED APPROACH

Though campus and virtual models both have their weaknesses, both take different roads to address the same need for a modern workplace that engages a highly productive workforce. And both models are succeeding in many cases where the traditional office is faltering.
Some organizations have recognized trade-offs in these work strategies and are adopting hybrid approaches that account for business units or segments that have divergent needs. For example, a company may build an expensive lab space for its design and engineering employees, a flexible work practice that includes both campus time and virtual time for back-office staff, and a fully virtual call center.

AT&T, through its Workplace 2020 strategy, plans to transform its work environment by utilizing both virtual and campus approaches. It has more than 22,500 employees across 37 countries that actively telecommute in its “Distributed Workplace Program.” To support virtual work, the company built “tPlaces” that allow employees access to an office environment with on-demand desks and videoconferencing close to where they live. As a result of these efforts, AT&T has repurposed over 3.9 million square feet of office space across 149 locations.

At the same time, AT&T’s Foundry locations are

**SPOTLIGHT: AUTOMATTIC INC.**

Automattic Inc., the web-services company that runs WordPress.com, the 15th most trafficked website in the world, employs over 120 people in a purely virtual model. Automattic’s offices are located in the homes of its employees across more than 26 countries, 94 cities, and 28 US states, with the exception of a lounge office in San Francisco that is used primarily as a space for meetings and events. Strengthening Automattic’s model is its over-communication and results-driven culture. Virtual meetings take place over Skype or Internet chat, and employees are constantly connected via internal blogs. When misunderstandings occur, participants are encouraged to pick up the phone. The company also recognizes the importance of staying connected beyond the virtual world and hosts a one-week meet-up every year to build relationships, brainstorm the company’s broad strategy for upcoming months, and have fun together. As a result of its virtual model, Automattic has been able to tap into a wider talent pool and repurpose money saved on real estate to an extensive travel budget—all while developing an interactive, collaborative, transparent, and feedback-open culture.
campuses for the company’s development business line, aimed at attracting external developers, venture capitalists, and other community members to collaborate.\textsuperscript{49} The AT&T Foundry locations are carefully designed work environments that are fully adaptable; walls, whiteboards, tables, and other equipment have wheels that allow teams to frequently change the workspace to suit their needs so they can focus on creating better ideas.\textsuperscript{49}

In 2006, Telus, a leading Canadian telecom, embarked on a new workplace strategy aimed at unifying the organization’s culture, brand, and team members, reducing its real estate footprint through a reduction in space and a strong virtual work program. To accomplish this, Telus focused on building “better space, but less of it” and reinvented its office space to encourage collaboration. The work environment was overhauled to provide employees with a variety of workspaces, including flexible team meeting spaces; collaboration spaces in close proximity to work stations; touchdown spaces that provide mobile workers with access to phones, power, and workspace; cafés; an outdoor patio; and a rooftop garden.\textsuperscript{50} Additionally, Telus has implemented a strong mobile working practice with the goal of having 70 percent of its 40,000 people working remotely at least part-time by 2015.\textsuperscript{51} Productivity is up 5 percent,\textsuperscript{52} employee engagement is now in the top 1 percent globally, and the company is trying to reduce its annual lease costs from $160 million to $50 million by 2016.\textsuperscript{53}

Determining the right mix of work strategies can be both an art and a science. The danger for many firms is that the science is currently lacking, as “the way we work” is assumed to be uniform across an organization. For many firms, building the most suitable model begins by untangling the current state of work and looking for pockets where innovation is occurring organically—such as an IT department that figured out how to flex around 24/7 support of a corporate network or employees that found a loophole in their enterprise mail system that turns their smartphones into mobile work devices. Once employee segments are understood, the next step is to question each segment of the workforce. Is this work strategy the most cost effective for this group? Does it maximize engagement and productivity, in consideration of any constraints (like the need to be face-to-face with customers or equipment)? A close examination of the type of worker (stage of career across a segment, role type, need for collaborative work, etc.) measured against a framework of campus and virtual environments can help organizations to be strategic about finding the right mix of options to realize the most benefits.

For many firms, the hybrid approach has long been a focus, but in general, that hybrid has been between traditional and virtual, excluding the collaborative benefits of the campus. Even in a hybrid model, flexibility as an exception is a challenge for organizations and employees alike. Those considering hybrids with flexibility will want to look for employee segments where flexibility can become an accepted part of work and culture.
BEYOND YAHOO

DON’T WAIT FOR THE GADGET CULTURE TO DECIDE

There is, in short, no one-size-fits-all workplace strategy for the new century of work. A uniform workplace strategy, despite its relative simplicity and veneer of equality for all, often does not maximize productivity in the way campus and virtual work strategies can. A hybrid approach that accounts for diverse employee segments and aligns workplace strategies with business strategies can bolster productivity and employee engagement. Furthermore, a hybrid approach can apply talent in ways that lead to competitive advantage. On the other hand, a less-than-careful approach can result in a workplace strategy that improves productivity in some areas of a business while damaging it in others.

Developing a workplace strategy is not easy. Many organizations that try to change their workplace strategies encounter several pitfalls. Building a multifaceted workplace strategy can be confusing to an employee population and threaten the delicate balance of organizational justice. Therefore, leaders need to communicate a clear and inclusive vision for the future of work and then help model the newly expected behaviors. In both the virtual and campus models, many employees will no longer own a desk or have easy access to their line managers, and without the guarantee of daily face-to-face interactions, both employees and managers will need to learn how to manage performance expectations based on results rather than hours.

The emergence of the hybrid organization requires a more scientific approach to the way we work by examining workforce segments and the trade-offs that come with each model. While technology is changing what is possible, the notion of a workplace passively reconfigured by the march of gadgets is unappealing for many reasons. The opportunity to tailor the workplace, though, is too attractive to leave on the (real or virtual) table. DR

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Endnotes


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