

When Work Spreads Out

The growing geographic distribution of work is both a necessity and a huge challenge for many companies. What does it mean for their work settings and workforce?

Dialogue talked with four experts who can speak to this question from the perspectives of human resources, real estate, operations, and technology. Here's what they told us.

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What's reshaping Deloitte's workplace?

MM: Almost two-thirds of the employees of the Deloitte U.S. Firms are GenX and GenY. Our workforce in general is also becoming far more diverse in terms of ethnicity, nationality, and lifestyle. That means that the person we're trying to motivate is often receptive to a whole new set of connectors than the older generation. Another difference is mobility—in our business, the client service people are typically out in the field. If a hundred new consultants join us on the same day, assigned to the same office, they are not likely to meet up again unless we help make that happen.

Between diversity and mobility, there's a huge paradigm shift occurring in how people are managed. And this means that you have to deal with the issue of the workplace on a more strategic and multi-functional level. You have to look at it in the context of your business strategy, your human resources strategy, and your technology strategy.

Offices may be social destinations and places for productive work, but their more strategic roles are to be an effective communication medium and the physical connection with your company's culture and overall business strategy. They have to embody who you are, how you think, and what you stand for—the attributes that set you apart as an enterprise.

Can you give examples of the paradigm shift?

MM: Take lifestyle expectations. It's not just about younger people entering the workforce. There are broader changes occurring in the family structure. To attract the best talent, we also have to be successful in retaining them. So, for example, we aim to create lifelong relationships with our people through all stages of their careers. One of the realities of the changing family structure is that more women in professional positions are in the workforce now. That means that women make up a significant portion of our best and brightest. We have to think hard about how to retain them, recognizing that there are gender-specific priorities to consider if we want to do so. If a woman who's a career professional at the Deloitte U.S. Firms decided to start a family, we would work with her so she could do this and then reintegrate her into our workforce.

Or consider mobile workers. The leadership of the Deloitte U.S. Firms doesn't have to be convinced they exist. They can see that certain elements, dynamics, and characteristics of our workforce are very different from what they were 10 years ago, even five years ago, and they're continuing to change. Our workplace has to connect people, culture, and technology in a way that is attractive, flexible, and interactive, especially for GenX and GenY. Part of why they come to work is because the office is a social destination. And it should be—it's how they reconnect with their peers. To compensate for mobility in our consulting practice, we have something called Friday Flybacks—everyone leaves their client sites on Thursday night and spends Friday at their local office. It lets them catch up and reconnect, personally and culturally.

Won't better technology help to compensate?

MM: There's no silver bullet. For us, it's something of a myth that you have to have more technology in the workplace, although all of our new workplace environments are wired and wireless. People believe that the latest technology is all that young people really want, but the reality is that they want a workplace where they can listen to their iPods without being criticized. So I believe it's more about having a flexible and non-prescriptive culture than about technology per se.

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What drives office location decisions today?

MB: Such factors as market dynamics, expansion of strategic business units, evolving workforce skill-sets, occupancy costs, and the regulatory environment come into play. For U.S. companies, quality of life is looming large because they're competing for a very scarce resource—the experienced “creatives” and a younger workforce. Columbia's recent research on global development incentives shows that for multinationals—companies operating outside the U.S.—strategic links to technology and to industry clusters are very important. If you're going to locate a big regional office in Asia, you might choose Singapore, because those linkages are in place. Compared to other cities in Asia, it's an easy place to do business.

When companies make these strategic location decisions, they're looking at context, not facilities. They're focused on infrastructure, incentives, labor, and quality of life. You can always get cheaper space and cheaper labor, but India, for example, is winning offshore software development and call centers because they speak English, they have a legal system that protects intellectual capital, and they're highly literate and technically strong.

What makes a city like New York attractive?

MB: There's a high degree of correlation between industry clusters like banking and high-density cities like New York. They offer more chances for business interaction and more opportunities for innovation. There are cheaper places in terms of operating costs and security, but they don't offer creative people the kind of “friction” that clusters do. Take Wall Street, for example. Traders don't work in a vacuum—they get smart by rubbing elbows with traders from other banks—impromptu encounters while walking around during the day or after work. That's why it's called “The Street.”

So “talent”—and retaining the best producers—is the other driver. High-density zones are living laboratories for talent, which is why HR people love them. They don't have to go far to

hire, because the talent pool is better defined and people can easily make lateral moves among companies. Their replacement costs for finding employees is lower, because it's easier to hire a trained cadre within the cluster than outside of it. And young talent increasingly wants the urban feeling that density provides. It's not just a lifestyle choice. It's still the dream of most U.S. high school seniors to go to these cities to test themselves against the best and experience the unique cultural offering they provide.

Does higher density matter in the workplace?

MB: Our research at Columbia suggests that the next workplace revolution will be driven by collaborative work. Higher densities permit people to cross business unit boundaries and have the chance encounters that fuel business process innovations. This demands more creativity in office layout—flexible spaces with breakout rooms, a larger number of small team rooms and timeshared offices, and quiet rooms for individual study.

There's a new generation—Gen-Xers and younger creatives—who want to work in these great high-density locations. They view work as a series of fluid tasks. They want private offices, for example—they don't care how tiny, they just want a place to put their "stuff"—personal belongings and notes. Some firms have reacted to the almost universal dislike of "hoteling" by advertising directly to young people, "We'll give you an office." Judicious, super-considerate use of hoteling—and a mobile workforce—can make such mini-offices affordable. There is a growing realization among corporate real estate executives and HR professionals that you don't want to lose someone for the wrong reason. You could lose them over bad business or over bad compensation, but please don't lose them over the quality of the workplace.

KEN CRANGLE is the general manager of Hewlett-Packard's new Halo Collaboration Studio business, which takes a supercharged approach to videoconferencing, giving people a greater sense of meeting face-to-face. He previously managed the company's Digital Publishing Solutions and Inkjet Supplies businesses.

What's changing work-wise at Hewlett-Packard?

KC: The Internet has changed a lot of our fundamental business structures and models. People can be dispersed and connected. With globalization, companies like ours are more competitive if

they can work around the world. Some of the smartest software engineers are in places like Russia, China, and MIT. To be competitive, we have to get those people to work for us. It's not so much about outsourcing now, but the fact that the search for talent is global.

As talent becomes more widely distributed, the workplace changes. Ten years ago, HP didn't have 10,000 people working in India. How do you get all these people together? How do you make them productive? At HP, the globalization of our work environment meant that people needed to participate from other places. Short of staying at their desks 24 hours a day, they needed technology in order to stay engaged.

Was the technology available to make that happen?

KC: No, it wasn't. Like a lot of other global companies, we went too far too fast. As our workforce dispersed, our collaborative tools weren't up to the job. With collaboration, sitting across the table is still the ideal. But when you have to travel for a face-to-face meeting, you can burn up a day getting there and another getting back. If the time between meetings stretches out, the quality of the relationship starts to decline, so you get to a point where you have to meet again. It's a vicious cycle, and most people don't operate very well doing it. Seeing this and experiencing it ourselves, we've made a push to develop new collaborative tools that can turn your workplace, wherever you are, into something that's like the next aisle over. That led DreamWorks and HP to develop the Halo concept.

How does it differ from other collaborative tools?

KC: "Group forming technologies," as they're called, can range from smoke signals and semaphore flags to phones, NetMeeting, and conventional videoconferencing. What sets Halo apart is that it preserves all of the social dynamics that make collaboration effective. It creates the illusion of being in the same space with your virtual collaborators, so you can make eye contact and read their facial expressions and body language.

When companies start down the Halo path, their first thought is that they can save travel costs, with less wear and tear on their workforce—perhaps a better work/life balance. Some months later, they discover that they're actually more productive, generating more ideas. Most large companies have a lot of cultural diversity. HP's headquarters culture in Palo Alto is very different from our engineering culture in Corvallis. San Diego is not the same as Boise. They're as different from each other as HP Singapore is from HP London or HP Madrid. By knitting people together across these sites, Halo helps them iron out

these differences. That frees them to collaborate better and resolve problems faster. Creating an intimate connection is essential. With Halo, the people across the table are always “front and center.” It removes the distractions so they don’t undermine the quality of the interaction. Halo provides matrix-based, globally distributed organizations with super-nodes that support a fast-moving, collaborative culture, freeing their virtual teams from the problems of dysfunctional communication. The acid test, of course, is if people actually use it. Our customers are seeing usage rates now of 160 to 200 hours per month.

You can’t use Halo at your desk—is that a problem?

KC: Remember that HP’s first LaserJet printer retailed for around \$3,500 and weighed fifty pounds—but the progress of technology quickly changed that profile. We saw that desktops would soon become the productive place, so productivity tools like printers would have to move out of the IT area and into the workspace. As that played out, the LaserJet dropped dramatically in price, size, and weight—a svelte little mechanism. So think of the Halo room as a big, clunky LaserJet. The technology trends are similar. Display, image capture and manipulation, compression technologies, the ubiquity of fiber—you put them together, and Halo will start to change. It’s also scalable. You can shrink it down to desktop size or stretch it out for boardrooms and classrooms.

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How is knowledge work changing?

PS: For ten years, the geography of work has been significantly altered by technology. Many workers are now part of virtual teams, and their companies are often virtual agglomerations. Especially when it’s information- or knowledge-based, the work can occur almost anywhere, so such companies can grant a great deal of freedom to their work teams. They are finding that it is more efficient and effective when project teams link up across time zones. Of course, this creates work/life balance problems—you’re always just a BlackBerry buzz away from work.

For companies, all of this increases the complexity. It’s a rare company now that has a clear line of sight and a traditional hierarchical organization. It’s much more likely to be a matrix,

with virtual teams expanding or contracting as the work gets done. People on those teams can belong simultaneously to functional and geographical areas, and both will influence how they work. The only way for these companies to achieve their common purposes is through communication, collaboration, and cooperation, with shared goals and work processes. That’s the nature of a matrix—it cuts across all levels. It can be quite effective at achieving the synergistic impact of combining standardized processes with local insight.

How is this affecting the workforce?

PS: We’re seeing evidence that people in the workforce aren’t giving their hearts and minds in the same unqualified way that they might have 15 years ago. They’re more skeptical, and more willing to examine the nature of their work relationship. It’s caused by outsourcing and offshoring, the impact of technology, the altered physical environment, and other factors that make people much more critical of their work experience. Many companies are in the early stages of coming to grips with this, and only a few of them have figured out how to create a high degree of employee satisfaction and engagement.

Without an ongoing sense of participation, people in a distributed workforce can be alienated from a company’s core identity or employer brand. That has a subtle but pervasive impact on the work experience. People are less affiliated with their companies and more affiliated with their professions—but companies still need to win their allegiance. There’s already some inherent tension between the demands of geography and function. Thus the dispersion of the workforce makes it harder to create an identifiable organizational brand. And the more virtual companies are, the harder it is to develop the sense of direction, energy, and belonging they need to engage the workforce to help them compete and innovate. It can be done, but it requires awareness, focus, and resources to make it work.

Younger workers, people in their twenties and thirties, are probably better at relating to coworkers who they may never see but are in touch with virtually. Older workers, who need to collaborate and have mentor relationships, may not have the same facility. Our survey data supports this, showing a gap between the people at the top, whose vision of the company is energizing and gives them focus, and those below them, who feel much more disengaged, both because the hierarchy is flatter and because the layers are stressed.

What about workforce demographics?

PS: An aging workforce creates its own set of issues, especially around the need to attract and retain talent. It poses a dilemma

for companies as they try to balance their need to retain the experience and know-how of their older workers with their need to thin their ranks so they can bring younger people in with new skills and training. Previously, every company could expect most of their workers to exit between the ages of 57 and 62. Now that departure age is creeping up because workers are healthier and may want or need to work longer. They may be more experienced in their particular specialties, and companies may need their expertise, but these organizations also have to consider their younger workforce—one that's clamoring to move ahead.

This points to a related question that many companies are asking: What will their workforce look like in the future? Will it be centralized or decentralized, younger or older? How will they be able to pull together people of different ages and cultures? Will they be able to bridge the different generations in the workplace? And, reflecting the influences of technology and economics, where will the workforce come from?

What's the impact on the workplace?

PS: There are three major components—environmental, social, and contextual—that, alone or together, can significantly enhance or detract from the work experience. The physical aspects of work are most influenced by workplace design and technology. The social impact is caused by demographic changes and by work and work centers moving offshore. And there are also the intangibles that relate to a company's ethos—where we work, for example, and the nature of our relationships with our colleagues. We're still human beings, carrying our anthropological and genetic codes with us. As companies strive for efficiency, there's always the danger that they will forget this, and make decisions based on cost alone, for example, that end up creating a sterile work experience for their employees.