

The Technological Transformation of Working from Home

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“What’s happening to the office? Technology has made it possible to redefine where work is done. The traditional notion of an office as the place where someone goes to work seems to be going the way of the buggy whip, the eight-track tape, and the stenographer.”

This introduction to the article “Two Cheers for the Virtual Office,” published in the MIT *Sloan Management Review*, could have been written last week. In fact, it was published in July of 1998. A literature review reveals a number of similar articles from notable sources over the intervening two decades, including the *Harvard Business Review*, *Management Review*, and *The New York Times*.¹ Until now, the adoption of remote work has been a rather slow-rising tide in the modern economy.

Fast forward to 2020, we are seeing a massive change in adoption rates as the COVID virus reshapes office life. Slack (2,045 employees), Square (3,845 employees), Shopify (5,000 employees), and Facebook (48,000 employees) are just a handful of the household names that recently announced either complete or expanded remote employee policies. This article, written remotely from your author’s living room, is a thought exercise in the staying power of this technological transformation, its potential impact on the workplace, and the potential beneficiaries in this new world.

Before getting carried away by the hype, it’s worth recalling that despite all its benefits, remote work has historically been close but out of reach for the majority of American workers. In 2018, the Bureau of Labor

Statistics reported that 29% of the U.S. workforce had the ability to work from home, yet only 15% had recently worked from home for at least one full day per week. Further, only about 4% of U.S. workers averaged three or more days from home.² A 2016 Gallup poll pointed to a slightly higher figure, with about 13% of employees spending 80% or more of their time working from home.³ That figure was up from 9% four years earlier but still reflected the fact that the vast majority of American workers regularly made the trek into the office for their nine-to-five. And, it should be noted that this data does not delve into whether working from home is driven by an employee’s personal preference, corporate inertia, or even the very nature of the work.

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With respect to the ebb and flow of corporate culture, one shouldn’t forget that we saw several notable companies reverse existing remote work policies only a few short years ago. CEO Marissa Mayer, at the time entrenched in the Yahoo turnaround effort, cancelled the company’s long-time remote work policy in 2013 stating, “Some of the best decisions and insights come from hallway and cafeteria discussions, meeting new

people, and impromptu team meetings. Speed and quality are often sacrificed when we work from home. We need to be one Yahoo!, and that starts with physically being together.” IBM made a similar move in 2017 to reverse the work from home policy for 5,500 of its marketing employees in favor of small satellite offices.

Critics of remote work point to the potential of lower productivity or lower creativity... less chance of a ‘spontaneous idea’ from a casual conversation around the water cooler. There is some evidence to support this: a study from Harvard Medical School⁴ found that papers with authors close in proximity to each other tended to produce more impactful work.

A similar criticism is that employees can struggle with the lack of distinction between work and home life, perpetuated by our ‘always on’ culture. Charlie Warzel summed this issue up succinctly in a recent opinion piece for *The New York Times*, “Work on weekends? Why not?! I’m already at the office. No commute didn’t mean a leisurely morning walk or exercise; it meant waking up, grabbing my phone in bed and punching the clock. My productivity was through the roof, but I found myself burning out every few weeks, desperate for a vacation or anything that could help demarcate work from leisure.”

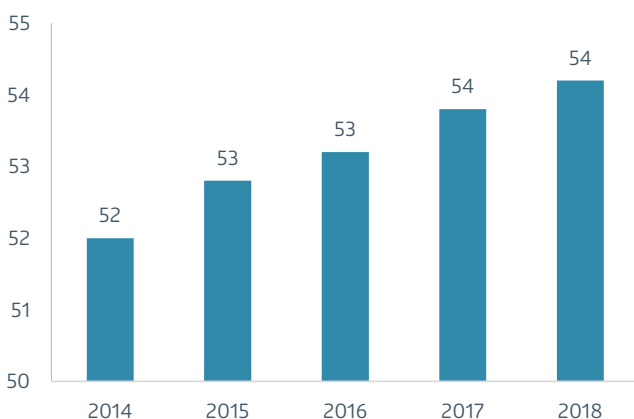
Yet the potential upside is real. In addition to time saved from not commuting, research has found that allowing employees to work from home can increase productivity. A 2019 survey of 1,200 remote and on-premise workers found that the ability to work

remotely fostered happiness and loyalty to their employer.⁵ The survey further determined the major contributing factors included better work-life balance, increased productivity and focus, less stress, and avoiding a commute. Indeed, according to a recent Gallup poll, 59% of employees working from home during COVID reported they would like to continue working remotely as much as possible going forward, while the remaining 41% planned to return to the office when available.⁶ Under the right circumstances, the benefits of remote work can be real and material for both workers and their employees.

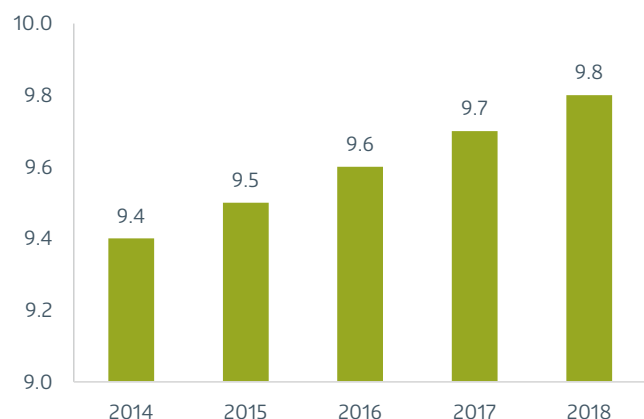
Our current belief is the trend toward remote work has been meaningfully accelerated and that for many companies and employees, this will have a lasting impact on how they operate. The pandemic represents a massive live test of costs and benefits. Remote work is no longer considered a fringe benefit confined to technology companies. Companies that would not have previously considered remote-work friendly policies are realizing benefits and grappling with challenges in real time. Employees that may have complained for years about their commute are finding out that time gained can mean breakfast with their children rather than rushing out the door. CEOs are analyzing corporate budgets and pondering if spending enormous sums on rent still makes sense.

Thus far, collaboration technology tools have been the most obvious immediate beneficiary. This has been well covered by both investors and the media and,

U.S. Average Minutes Spent Commuting per Day



Estimated Days Lost to Commuting per Year



Source: <https://data.census.gov/cedsci/table?q=So8&d=ACS%201-Year%20Estimates%20Subject%20Tables&tid=ACST1Y2018.S0801>.

while one can argue about barriers to entry and technological differentiation, there is little doubt of the massive increase in adoption for many popular platforms. We believe that the pandemic will also result in meaningful, long-lasting pressure for enterprises to adopt modern cloud technologies and redefine their businesses for the digital age. Further, the category known as Unified Communication as a Service (UCaaS)—which encompasses technologies providing cloud based telephony, messaging, video conferencing, and other communication methods—appears poised to show a long-lasting acceleration in growth. The pandemic has shifted a work-from-anywhere option from a corporate perk to a critical need. Even companies that plan to return to the office will need to be prepared for the event of another shelter-in-place order. In this world, digital transformation and enabling remote employees will likely be ubiquitous, even for companies with primarily on-premise operations.

Additionally, we see an interesting opportunity for cyber security. The number of cyber-attacks has not relented: the old model of a ‘walled garden’ is less meaningful when employees are permanently outside of the walls. This trend was already in place as evidenced by the steady march of applications moving from owned datacenters to cloud services. The shift of the employee base has increased pressure on these old-school models and dramatically increased the value proposition of modern, cloud-based security solutions. Similar to mobility solutions for remote work, we see this as less of a stair-step increase in growth, and instead believe growth will reflect a longer-term secular shift commensurate with increased value.

On a recent Microsoft earnings report, CEO Satya Nadella said that the company’s customers had seen “two years’ worth of digital transformation in two months.” Companies are grappling at rapid speed to compete and function in a distributed world. Eventually, offices will reopen. The question remains, what will they look like?

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1 *The Alternative Workplace: Changing Where and How People Work*, Mahlon Appar, IV, May-June 1998, *Harvard Business Review*; *Have Modem, Won't Travel*, Eileen Davis, April 1995, *Management Review*; *It's Unclearly Defined, but Telecommuting Is Fast on the Rise*, Alina Tugend, March 7, 2014, *The New York Times*.
2 <https://www.bls.gov/news.release/pdf/flex2.pdf>
3 <https://www.gallup.com/workplace/283985/working-remotely-effective-gallup-research-says-yes.aspx>
4 <https://harvardmagazine.com/2011/05/water-cooler-effect>
5 https://www.ovvllabs.com/state-of-remote-work/2019?hs_preview=jWDXIXgj-13385250578
6 <https://news.gallup.com/poll/306695/workers-discovering-affinity-remote-work.aspx>

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the 9:05 is published four times a year by Bailard, Inc., 950 Tower Lane, Suite 1900, Foster City, California 94404-2131. (650) 571-5800. www.bailard.com. Publication dates vary depending upon the availability of critical data, but usually fall in the first month of each new quarter.

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