
Working From Home: The End of an Era?



By Alvin Lee, Web Editor

Marissa Mayer's controversial decision to bring Yahoo! employees back to the office could yet prove to be the right one.

Over a million more Americans worked from home in 2010 than in 2005, according to the U.S. Census Bureau: 5.82 million versus 4.79 million, or 4.3 percent of the total workforce, compared to 3.6 percent in 2005. In Boulder, Colorado, the city with the highest percentage of people working from home, more than one in ten (11.3 percent) work remotely.

In Sunnyvale, California, the 2010 figures are 5.1 percent, up from 4 percent back in 2005. Why is Sunnyvale important? Because this is where Yahoo! has its headquarters, and it was a change in policy by the new CEO, Marissa Mayer, that has put the work-at-home issue front and centre for many companies. Simply put, Ms Mayer – who herself became a mother for the first time earlier this year, and may have been thought to favour work-at-home policies – quashed the option altogether. There had been reported allegations that Yahoo! employees abused the system; media coverage portrayed the move as a step backwards. INSEAD Affiliate Professor of Organisational Behaviour, [Erin Meyer](#), disagrees.

“I believe the move by Marissa Mayer was a smart one,” says Meyer. “She saw that productivity per individual at Google was higher than productivity per individual at Yahoo!. Google generates US\$931,657 in revenue per employee, 170 percent higher than Yahoo’s US\$344,758 per employee. If Mayer’s goal is to increase that productivity level, bringing people into the same office space is one quick and inexpensive way to accomplish that goal.”

The human touch

Amidst all the brouhaha about Yahoo!’s new policy, it would be appropriate to re-examine the leaked memo that not only sparked off the big debate but also its purported objectives.

“To become the absolute best place to work, communication and collaboration will be important, so we need to be working side-by-side. That is why it is critical that we are all present in our offices. 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.” - Jackie Reses, Yahoo head of HR.

Meyer, who directs the [Managing Global Virtual Teams](#) programme at INSEAD, explains that these objectives are more easily met with face-to-face communication.

“Because we are human beings, when we collaborate, we rely heavily on what I call mutual adjustment. Mutual adjustment means that you notice how others are working around you, they notice how you are working, and through hundreds of subtle cues you adjust to one another, and the collaboration happens. When people are geographically dispersed, they don’t have the same high level of cues in order to mutually adjust which makes collaboration more difficult.”

Meyer adds, “It’s a myth that virtual teamwork costs less than face-to-face collaboration. There is this idea that because it requires less electricity, less desk space, and less rent to collaborate virtually, it’s therefore less expensive. But it takes a lot more time to organise and monitor effective virtual teamwork. When we are working together but working apart it requires a much greater effort to assure the communication has passed as

expected. Misunderstandings are more likely and that leads to higher costs.

Teamwork is not just about communication it is also about cooperation. Cooperation requires trust between team members. Meyer elaborates, “It is difficult for humans to trust people that they don’t frequently see face to face. If I can’t look in your eyes and see your facial expressions or get to know you beyond your voice on the phone it is harder for me to judge if you are trustworthy. A high level of trust between team members is one of the most important factors to efficient collaboration. If the team leader does not invest significant time and energy in finding ways to build trust amongst team members who rarely see one another, trust is likely to remain low. Therefore managing geographically dispersed teams effectively is significantly more expensive than managing collocated teams. I imagine that Mayer understood this when making the decision to bring her employees back to the same office space.”

Is there a need to work remotely?

Nancy Wee is a mother of two, and a part-time graphics designer who works from home. “I sometimes prefer to be in the office if the project is complicated and requires more input from the client. But [when I work from home], I can quickly finish the tasks and then I can do other things. If I am stuck in the office, I cannot do my own thing even if I am done with the work. I have to wait for the proper hours to be over.”

Wee is self-employed, but is open to working full-time in the office, cites examples of why working from home can sometimes be more productive from the company’s standpoint, “I think the key thing is the manager has to be very clear on the agenda. Some clients asked me to go onsite and they just talk and talk. If they just email me the job specs, I can easily do the job.”

That ties in with a [2010 INSEAD Knowledge article](https://knowledge.insead.edu) written by Professor Meyer, which explains that “virtual teams need a manager who provides clearly-defined direction and removes all ambiguity from the process.” “In the last decade, a large number of companies in the U.S. have put in place home office structures without training their team leads on how to manage these dispersed teams differently. With the excitement of newer communication mediums such as Skype and WebEx many companies have built the work-from-home movement on the premise that we can just as

easily collaborate over a virtual medium as we can face to face. But that is not the case. No matter how sophisticated the communication tool it does not replicate the effectiveness of face to face collaboration.”

Home run?

Wee’s experience may be a strike against Yahoo! boss Mayer’s much-discussed policy, but one might say it reflects an employee’s working preference rather than any clear strategic advantage or disadvantage for the company. But according to Professor Meyer, there are other instances where not having everyone under one roof is not only a necessity, but also an advantage.

“Suppose you put in place a project team where people from different regions collaborate to develop a product that responds successfully to a variety of local markets,” says Meyer. “In this case you need people who are IN those markets and regions to work as one team. So in that case, team members will need to be geographically distributed and there is a clear, positive reason they need to be in different places. In that case, the benefit of the geographic distribution likely outweighs the disadvantages. However, Yahoo! does not seem to be in one of these situations.”

Yahoo! releases its Q1 report on April 16. It will be too early to gauge the effectiveness of Mayer’s policy, but all eyes will be on Yahoo!’s balance sheet – including Yahoo! employees who decided to quit and watch the action. From home, of course.

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