

FlexBulletin #89: Coastal HQs – Shrinking or Exploding?

By Paul Rupert

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*Thanks to all of you who sent “Congrats!” when LinkedIn recently posted news of my “new job.” I have indeed launched **Collaboration@Work** as a Co Scheduling and flexibility research, advocacy and training nonprofit in the San Francisco Bay Area. But I will not be giving up my “old job” consulting where it’s needed. For the last year I have been splitting my time between the Bay Area and my DC base and I will continue to do so. In a future Bulletin I will describe our assessment, plans and team for C@W.*

I spent my first 30 adult years in the Bay Area – Stanford, start-ups and New Ways to Work. The next twenty were spent immersed largely in East Coast flexibility consulting. So going fully bicoastal seems a logical next step. Clearly the business and flexibility climates in the Bay Area are different. And down the road I’ll describe those differences as they become clearer. But a few already stand out clearly.

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The toolmakers for virtual work are deeply committed to bricks and mortar

Even a casual East Coast business tourist in San Francisco and Silicon Valley would feel a difference both in the air and on the ground. A few things leap out or quickly make themselves known:

- **Business is booming** New businesses of all sizes and types (and not tech alone) are springing up all over; venture funding and mergers are abundant; unemployment is 4-5%.
- **Real estate is turbocharged** Office space is scarce and pricey; the iconic SF skyline is marked by a forest of cranes; headlines proclaim new condos and refurbished office towers
- **The Edifice Complex lives** New economy companies from Yelp and Twitter to Apple and Google and Salesforce have embraced bricks and mortar in lush campuses and showy high rises
- **Remote work why?** These highly successful companies are not focused on cost-cutting; whatever else might drive any flexible practices, space costs don’t seem to do it

The rest of the country is not the exact opposite – but it’s close

Ours is a large and diverse economy with regional industries and characteristics. But as my personal experience and considerable study suggests, the rest of the country looks more like this:

- **Business is slowly recovering** Pockets of growth exist, but capital remains tight; unemployment continues to hover well above “full employment”; cost-cutting remains a priority
- **Real estate remains mired** Both commercial and residential real estate have improved, but remain weak; there is little in the way of a visible building boom
- **Edifice wrecked** Many mature companies are not building new palaces; indeed for much of the last decade space has come to be viewed as a cost, not asset or trophy; it is being off-loaded
- **Remote work YES!** The growing trend toward remote work has strengthened in the recession, driven by cost-saving; this phenomenon shows little sign of abating anytime soon.

It’s too soon for conclusions, but a few observations are in order

I subscribe to and read regularly four newspapers, mostly online. They include the New York Times, the Washington Post, the San Francisco Business Times and the San Francisco Chronicle. I’ve made nearly a dozen trips to the San Francisco Bay Area in the last year and travel regularly on the East Coast. I look at the world through the flexibility lens. Digesting all this, I draw from this coastal contrast the following notions:

- ✓ *Studies are averages, regions are unique* In the course of the year I have read numerous surveys, reports, blogs and columns talking about the rise or fall of flexible offerings, the prevalence of this option or the other. While many of these findings and assertions may be valid and useful, they share one shortcoming: they describe national practices as if they were uniform. As the items above suggest, at least the Bay Area does not seem to conform to the “national average.”

- ✓ *Low unemployment may not drive flexibility* For three decades I have observed with many of you the relentless mathematical fact that when unemployment was up, offerings of flexibility were down; and vice versa. When people were “scarce”, flexibility offered an asset in recruitment and retention. The current chronicled retreat in flex demonstrates this truth in our seemingly endless recession and high, sticky unemployment.

Yet in the San Francisco Bay Area, where the 9-county unemployment figure ranges between 4 and 5 percent (what economists call “full employment” or better), flexibility *seems* less prevalent than on the East Coast. More focused study is needed – and we are in the process of launching that study. But if one simply compared the amount of telework (part-time telecommuting or full-time remote work) evident on the two coasts, the historic model would suggest that there would be a flex frenzy underway throughout SF and Silicon Valley. Such is not the case. The war for talent in the Bay Area seems to have declared a cease-fire when it comes to flexibility.

- ✓ *Remote work resembles the flat earth* The argument for telework began in the 1970s in Southern California and was given a great boost by SF’s Pacific Bell with its slogan and practice, “Take the work to the workers, not the workers to work.” Over several decades, even resistant companies came to accept that one could combine remote and productive work. Slowly the earth became round. To a degree not fully captured, that early Bay Area spirit seems to have taken a back seat to a renewed perspective that remote work and collaboration – and thus productivity --are antithetical. In this view, true work can only occur within the confines of bricks and mortar
- ✓ *The Bay Area is not tech alone* Much of what’s written about the Bay Area, including this piece so far, tilts toward the view that SF’s high-growth economy is an all-tech phenomenon. The fact is that new hiring over the last several years has not been majority tech. Yes, SF has 1200 tech firms, from Yelp, Twitter and Salesforce to new start-ups every week. But it is a diverse economy that is growing in every sector. That said, it may well be the case that attitudes toward flex are shared across all companies. There is little data to rely on, but we may find a regional view at work that rarely embraces flex. Again, a departure from national norms.
- ✓ *Success breeds imitation* One could ask, “Who cares what Google does – and how?” As I’ve suggested above, there is a tech business and organizational model evolving in the SF Bay Area – and in New York, DC, Austin, etc. The Bay Area in particular has overcome the recession’s effects more quickly and thoroughly than most. It is an evangelical culture, proud of its achievements and happy to tell its story. If that is a story without flexibility, it will have an impact on the rest of us. I mentioned Pacific Bell above, a telework champion that was absorbed by AT&T and recently sold its beautiful SF offices to Yelp. Things change.

The battle for workplace design is not a one-way street; progress can be made and undone. Like the rest of the country, the SF Bay Area has wrestled with this issue and will continue to do so. We will be part of that process on both coasts and will share what we learn as we go.

We welcome your comments on this Bulletin. When you write, please email me at:
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