The Virtual Company and Its Impact on Real Estate Development

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SUMMARY

As technology has advanced and become more accessible over the past two decades, various changes have occurred in business to take advantage of the freedom that technology offers—changes that impact real estate development. Technology and management practices are transforming our traditional notion of the workplace.

Some companies have adopted telecommuting policies to provide employees with the flexibility to work part-time from home. Other companies have reduced office space to house only a core group of management and administrative staff, while allowing many employees to work from home offices. Some companies have adopted "flex" offices that are used as needed by workers who are in the office infrequently.

While, all the business formats that use technology to transform their workplace have merits, this article addresses the virtual company—a company with no permanent walls; where every employee works from his or her home. The virtual company is an extreme form of organization transformation and not suitable for all businesses.

However, as we move to a more service-based economy, the number of virtual companies will increase. Through this increase, people will be able to work from locations they never thought possible while seeking a meaningful balance between their personal and professional lives. In addition, businesses will be able to save substantially on the overhead costs associated with office space, while increasing productivity and significantly improving employee satisfaction.

The virtual company is on the rise. What is at stake is releasing our traditional notion of a business and embracing a new management philosophy and company structure. *The rewards for a business are substantial, and the implications for real estate are profound.*

INTRODUCTION

Following the end of World War II, the bedroom community became the ideal of the American lifestyle. As bedroom communities spread across the country through the 1950s, 60s, and 70s, many of the negative implications of *sprawl* began to be realized. Not the least of these was the impact on the typical daily commute to work in the central city.

The increasing distance from home to work, when combined with an expanding population and an emphasis on travel by car, resulted in commute times that represented a significant portion of the work day. Rising

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gas prices in recent years have additionally made the commute to work very costly.

It is not surprising that urban planners have increasingly looked for options to the commute. The much touted alternative solution of New Urbanism is typified by the advocacy of Christopher Leinberger.[1] Leinberger's fundamental message is relatively simple: A transportation "revolution" drives this form of urban development with *walkable urbanism* posited as the antithesis of *drivable sub-urbanism.*

However, with the advent and expansion of sophisticated communication technologies, other alternatives to the long and costly commute to work have become more practical. These options include telecommuting and virtual companies, although neither has received as much attention by the real estate industry as New Urbanism.

This article focuses on the characteristics and merits of virtual companies as one such alternative, and includes a case study of Fentress Incorporated. "Fentress" is a small business that provides management consulting services. The company is located in the Baltimore—Washington, DC Metropolitan Area and primarily serves clients in the federal government. The company has operated *virtually* for 23 years.

Like all businesses, Fentress has its own unique story, but through this case study, lessons can be learned that can apply to other companies looking to become virtual in whole or in part.

FOUNDING AND GROWING A VIRTUAL COMPANY

Fentress was founded in 1988 as a sole proprietorship and incorporated in 1990. For the first three years, the company's only em-

ployee was its president, who operated as an independent consultant. In 1991, the company hired employees—part-time at first.

As with any company, the transition from a sole proprietor to a corporation with multiple employees was challenging. However, it is arguably more difficult to make this transition as a virtual company. Many questions must be answered:

How can you make a virtual company seem credible and viable to prospective employees?

How are employees trained?

How will the work be monitored?

What forms of communication will be most effective?

What technologies will be needed to help the company be productive?

When Fentress started, the Internet was not readily available nor were cell phones ubiquitous or any of the other technologies that we take for granted today. This was indeed a challenging time, especially since the company's employees were located in two different states.

On the flip side of all the challenges, one of the big benefits of a virtual company is not require commercial real estate. This that it does reduced company overhead, enabled Fentress to start up without significant investment dollars. During the first couple of years as payments were sporadic from clients, the company was able to survive because it did not have the burden of paying for office space.

Another key factor that contributed to a successful start was determining how to attract prospective employees to a virtual

company. It became critical that Fentress seem like any other business—comparable benefits, marketing materials, computers, and other technology, etc.—with the only distinguishing feature being that the company was virtual. This had to be sold as a benefit. *A virtual company meant:*

- a better balance between home and work life,

- no commuting time or expenses,

- potential for living in less expensive locations,

- a trust-based management approach,

- a more flexible work schedule, and

- the notion that you can still be a respected professional and work from home.

The company mission evolved from a single person consultancy to a small business that focused on management consulting. Fentress prevailed in the marketplace because of its low overhead and its focus on customer service. For a virtual company, the key to superior customer service meant responding immediately to customers day or night.

Another vital component to the successful start-up of Fentress was building long-term, strategic relationships with clients. In the beginning, the company did not publicize the fact that it was virtual. Instead, the strategy was to form a successful working relationship with clients and then to let them know about the company's virtual structure. Back in the late '80s and early '90s, doing business with a virtual company was often viewed as risky, especially to conservative clients in the federal government.

One of the first clients for Fentress was the Administrative Office of the U.S. Courts (AOUSC). The AOUSC is still a client after 23 years. After forming a successful working relationship with the AOUSC, Fentress used its "virtual-ness" as a benefit by focusing on "around the clock" customer service and charging cheaper rates than competitors.

Fentress was able to leverage these practices to other clients in the U.S. Department of Justice and the U.S. Department of Homeland Security. As Fentress matured as a company, it was able to expand its practice to other federal, state, and corporate clients.

Today, the company employs analysts, statisticians, economists, architects, and IT professionals. The work products include consulting reports, strategic plans, facility assessments, analysis, and custom computer applications.

Starting with one employee in 1988, the company increased to over 40 employees in 2007. The impact of the recent recession forced the company to downsize to 14 employees but Fentress is now starting to grow again conservatively.

The average employee has been with the company for 11 years. This longevity is due in part to the virtual nature of the company—motivated and self-disciplined individuals can thrive in an environment that allows more autonomy and promotes a balance between personal and professional life.

BENEFITS OF A VIRTUAL COMPANY

A virtual company is different from telecommuting. Telecommuting occurs in traditional businesses that allow employees to work from home a portion of the work week. Often, telecommuting only applies one or two days a week to a select group of em-

ployees—typically not all employees are eligible to telecommute.

In companies with aggressive telecommuting policies, employees "hotel," meaning that there are fewer workstations and offices than employees, requiring employees to share. In some organizations, the sharing of workstations is based on a reservation system like a hotel. The employee reserves a workstation over the computer and is assigned a location. This workstation may be on different floors or parts of a facility on different days.

Even companies that pursue telecommuting aggressively still have office space. In a virtual company, there is no office at all. Every employee works from his or her home full-time. It is the lack of an office that distinguishes the virtual company and gives the employees and company the benefit of not having to commute to an office or pay for permanent office space.

The benefits of a virtual company are substantial. In examining these benefits, three areas are addressed: cost savings, competitiveness, and balance and flexibility.

Cost Savings for the Company

Cost savings occur for both the company and the employee. As mentioned above, the primary savings for the company is the lack of commercial office space and associated costs. The average corporation invests approximately 30% of its total worth in real estate to house its employees.[2] In a virtual company this percentage is greatly reduced, if not zero.

Along with the cost of space, the virtual company also saves on all the associated costs such as maintenance, utilities, grounds upkeep, etc. These costs fall to the employee as a natural part of maintaining his or her

home. However, the employee would incur all of these costs anyway as a part of being a homeowner. Any marginal costs the employee would incur, such as running the electricity more during working hours, is more than offset by savings to the employee.

Cost Savings for the Employee

Cost savings for the employee occur in two primary ways. First, commuting to an office typically requires a car or public transportation. For those that commute by car, the average cost is $4,348 annually.[3] In a virtual company like Fentress, transportation costs still occur for client meetings and periodic company meetings. However, these costs are a fraction of what it takes to commute on a daily basis. With the cost of fuel now nearly four dollars a gallon for regular gasoline, working from home is an excellent way to reduce expenses.

The second type of savings is in clothing expenses. It is estimated that an employee spends $2,505 annually on clothing in a traditional office environment.[4] In a virtual company, business attire is needed far less frequently. In a company like Fentress, such attire is reserved for client meetings and occasional company events. Day-to-day attire is up to the employee in the comfort of his or her home.

It should be noted that clothing came to the forefront of discussions at Fentress when videoconferencing was introduced to all employees in 2010. Until that time, no one really knew how employees dressed at home. After a small cultural shock—including a manager showing up for a videoconference wearing a bathrobe with curlers in her hair as a joke—the company came to realize that T-shirts and sweatshirts were the norm for daily "business" attire for its employees.

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As the figures above indicate, a virtual employee can save over $6,000 per year with the reductions in commuting costs and investments in business attire. Of course, there will always be some expenses for clothing and business-related travel but at a fraction of the typical cost.

A virtual employee can also save money in other ways depending on their prior work style. This includes eating at home, instead of dining out during the workday. Also, in many areas of the country, car insurance premiums can be reduced by lowering the commute. Additionally, if pets become work companions, pet sitting and walking fees can be saved. At Fentress, an economist employee once performed a self-study and calculated that he saved between $8,000 and $10,000 per year by working virtually.

Competitiveness

Being virtual can help a business be more competitive. As noted earlier, a virtual company can have a lower overhead rate since the company does not have to pay for commercial real estate. Having a lower overhead rate translates directly into having *lower labor rates*. And, of course, a leaner labor rate structure makes a company more competitive.

Fentress has been able to pass overhead savings to its clients by having lower labor rates than many of its competitors. Under one client's Blanket Purchase Agreement (BPA), Fentress' labor categories are typically 20% lower than its direct competitors. (A BPA, for those readers unfamiliar with government contracting, is a contracting vehicle used to establish a longer-term contracting period where tasks are typically competed among a group of companies awarded contracts under the BPA.)

Responsiveness is another way that virtual companies can increase their competitive edge. During the startup of Fentress Incorporated, being responsive to clients, even outside of business hours, was an important step in demonstrating the credibility and professionalism of a virtual company. Since employees have the technology set up in their home offices, monitoring e-mail and calls before and after typical work hours can happen readily.

With the introduction of blackberries, high-speed Internet, and home offices for telecommuters, this form of responsiveness, of course, is no longer unique to a virtual company. What is different about the virtual company is how having a permanent home office can enable employees to establish before and after work hour routines for being responsive to calls and e-mail.

Fentress employees often check e-mail early in the morning before work hours begin and then turn to personal matters until the workday starts. The same is true for the evenings, when employees typically check e-mail before retiring for the night. What is different here is the culture of responsiveness, especially in regard to communicating with clients.

While these days any individual can stay connected to clients and coworkers through cell phones and computers, there is less likely a culture of all employees being responsive promptly, let alone outside of business hours. In a virtual company like Fentress, all employees are monitoring calls and e-mail, just to do the ordinary business of the day, and this creates a habit of responsiveness so that each and every employee is communicating promptly.

Productivity

The final area to be examined under com-

petitiveness, and perhaps the most important, is productivity. In the typical office environment, the average employee is only productive for a portion of the day. With a stream of interruptions and impromptu meetings, the drain on productivity can be substantial. Here are a few facts and figures about the typical work environment:[5]

- The average employee spends *28% of the time* dealing with unnecessary interruptions followed by "recovery time" to get back on track.

- The average manager is interrupted *every 8 minutes*.

- The average office worker is interrupted *73 times a day.*

- Physically co-located workers *spend more time* engaged in tasks for which they are not accountable.

- One's *IQ falls 10 points* when fielding constant emails, text messages, and calls. This is the same IQ loss one would experience by missing an entire night's sleep.

- The estimated cost of managing interruptions at work in the U.S. economy is **$588 billion** per year.

When you stop to think that many people commute long hours to work and then they are only productive for a portion of the work day. Which is to say working in an office setting can be stressful and takes a toll on employee satisfaction. Moreover, even in a traditional office setting, employees will often need to take work home or to some other place where they can have a block of quiet, uninterrupted time. The virtual company provides this opportunity daily.

Fentress is a good exemplar of this, as productivity is considerably higher than the typical office environment. The company not only routinely receives praise from clients for its speed and accuracy in producing work products, but an objective third party evaluation documented it.

In 1999, Fentress was evaluated by Dun & Bradstreet as a requirement to apply for a federal contract. During this objective evaluation, Dun & Bradstreet interviewed Fentress' clients and scored the company across six separate categories. With 1.0 being a perfect score, and higher numerical scores indicating lower levels of performance, Fentress scored 1.06 on the overall evaluation. The average industry score was 1.3 for other companies that provide business consulting services. Fentress scored considerably better than average across all six individual categories, including timeliness, quality of service, technical support, problem responsiveness, attitude of personnel, and total cost (on the latter three categories, Fentress scored a perfect 1.0).

This rating shows that a virtual company can not only be competitive, but it can also provide quality service with a high level of customer satisfaction.

Balance and Flexibility

Perhaps the most attractive facets of the virtual company is the lack of a daily commute. As mentioned above, having *no commute* can save money for the virtual employee. There are also other benefits, including *protecting the environment*, having less stress, and especially, having more time.

Though it is a minor point for this article, a virtual company is really a green company— meaning that it is very environmentally friendly. Working from home enables one to

utilize existing space for a dual purpose: home and work. Also, since virtual employees do not commute, there are fewer cars on the road, which creates less congestion, less air pollution, and less wear and tear on the roadways.

While the environment is a socially responsible benefit of a virtual company, eliminating the commute goes beyond the social benefit—it enables the employee to have more time in his or her day and *less stress*.

The average person commutes over 100 hours annually for work. This equates to approximately 24.3 minutes each way to work.[6] In more congested metropolitan areas, this average increases to well over 30 minutes each way. Since the virtual employee does not have a commute, this time is gained back. Having an average of 100 additional hours per year, or 2 1/2 work weeks, is significant.

Fentress is located within the Baltimore-Washington, DC Metropolitan Area, which has an above average commute time (Maryland is second to New York as the state with the longest average commute in the nation of 30.2 minutes, and the average commute time for the suburbs surrounding Washington, DC is 35.5 minutes).[7] Also, workers in New York City and Baltimore are tied for the highest percentage of extreme commuters (commuting 90 minutes or more each way daily) in the country at 5.6%.[8]

At Fentress, many of the employees either reside or have relocated to the suburbs. Most employees would have a long, if not extreme, commute if they worked in a traditional office setting. Instead of commuting, the employees use the time gained to spend with family or in personal pursuits that add to the quality of life.

Along those lines, it is interesting that

nearly every Fentress *employee volunteers* time to the community. Employees have volunteered to work on elections, coach sports, work with Boy Scouts and other civic groups, serve on PTAs or in other school functions, assume leadership roles in church, lead support groups, and assist in fundraising activities. Such service is not a company requirement; rather it is an outgrowth of employees having more available time and a willingness to contribute.

Another benefit of eliminating the commute is *reducing stress*. Studies have shown that traffic can cause stress. Again, here are a few facts and figures:

- Daily commuting can cause physical reactions including high blood pressure, headaches, chest pain, negative moods, back pain, neck and spine injury, sleep deprivation (leaving early and arriving home late), and obesity (no time to schedule physical activity).[9]

- One study concluded that every minute of commute time is equivalent to a 0.0275 minute reduction in exercise time, a 0.038 minute reduction in food preparation time, and a 0.2205 minute reduction in sleep time.[10]

- Also, a recent Swedish study concluded that couples in which one partner commutes longer than 45 minutes a day are 40% more likely to divorce.[11]

These are just a few examples of how commuting can cause stress. However, stress reduction goes beyond just the commute.

Because the employees in virtual companies do not spend time together in an office environment, office politics are generally

lower. The negative social aspects of the office environment such as gossiping, posturing, etc., mean little in a virtual company where employees do not interact in person on a daily basis.

Fentress employees often cite that the company lacks the negative social aspects that occur in a typical office environment, which significantly contributes to employee satisfaction. Such satisfaction leads to a happier workforce which leads to less stress in the workplace.

DRAWBACKS OF A VIRTUAL COMPANY

Despite all the benefits espoused above about virtual companies, there are significant drawbacks.

First, the virtual company is not right for all kinds of businesses. In many businesses, employees have to be co-located together in a special facility or place, such as a manufacturing plant, airport, grocery store, lab, etc.

Second, the virtual company is not right for all employees. Some employees require an office environment to feel part of an organization. Other employees may require more supervision than a virtual company can provide.

Third, a virtual company can be stressful for some employees during the beginning of their employment. An employee can feel lost, isolated, and unsupported in a virtual environment. For example, the experience at Fentress indicates that it takes six months to a year for an employee to adapt to working virtually. Those employees that are not self-motivated do not last long in a culture that can only monitor performance and not supervise the employee's day-to-day work.

Finally, the virtual employee is not without

distractions. With a never-ending to-do list of home and personal needs, it is important that the virtual employee learn to separate business time from personal time. The repair man, home deliveries, errands, family members, pets, etc., can all serve as distractions. Self-discipline comes into play by placing such distractions aside and focusing on work during office hours.

THE FENTRESS CASE

The above sections have provided highlights about the strengths and weaknesses of the virtual company supported by examples from Fentress Incorporated. This section discusses Fentress in more detail and how it operates as a virtual company.

Headquarters for Fentress Incorporated is located at the home of the company's president. At this location, there is a home office for the president, supply storage closet, and a conference room for employee meetings. All employees are required to come to the company headquarters once a month for face-to-face all employee meetings.

During these meetings, Fentress employees develop monthly resource plans, review the status of projects, and conduct training and/or discuss company issues, such as marketing, policies, new technologies, etc. These monthly meetings have as much to do with teambuilding as they do with conducting company business. Getting together on a monthly basis and allowing informal time to discuss issues helps the employees feel more connected and united as a team.

In addition, the company gets together several times a year for events. There is an annual family picnic, an employee holiday luncheon, a manager retreat, and a company teambuilding event. These events help the employees bond on a more personal level.

The company stays connected on a daily basis using the phone, e-mail, instant messaging, and videoconferencing. The company also uses an online message board to see who is in and out throughout the day. Fentress has a Facebook group set up as the company "water cooler" for employees to share personal details and pictures.

To operate effectively, each employee is required to have a dedicated office area in his or her home. Trying to work from a bedroom or on the dining room table will likely not be the best environment for productivity. Experience has shown that having a separate office that can be closed off from the rest of the home is a necessity.

In addition, it is important that employees set up ground rules in their homes so that office hours are protected as much as possible from interruptions. The separation between work space and living area is important to achieve a high level of productivity.

Though Fentress does not have permanent commercial space, the company leases office space on an as needed basis for meetings, interviews, and planning sessions. In the past, when the company has exceeded 25 employees, monthly space has been leased for meetings.

Fentress has tried numerous locations including office complexes, hotels, and conference centers, but the best meeting facility has been at a local college that caters to evening classes. During the day, the college is largely empty and has both large meeting rooms for full group sessions and classrooms for team breakouts. The college was even willing to provide meeting technologies and materials (i.e., microphones, projectors, whiteboards, and flip charts), as well as cater lunch.

A suite of five meeting rooms (one large and four small) with lunch included costs around $1,500 a day. So, for $18,000 a year, the company is able to have excellent meeting facilities, which is a minor cost compared to leasing permanent office space.

In the beginning, all employees were located in Maryland and Virginia surrounding the Baltimore—Washington, DC Metropolitan Area. As the company has grown, some employees have been hired in or have relocated to other areas of the country. A few employees have been hired in other regions because the local market could not produce adequate candidates for employment.

Hiring the best talent despite their location is a benefit to virtual companies. Other employees have moved across state lines for a lower cost-of-living. Some employees have relocated because a spouse has changed jobs and moved to a different city. Today, "remote" employees are located south to South Carolina, west to Missouri, and north to Pennsylvania.

At first, having remote employees was a challenge for Fentress: Will a good employee that is local also be a good employee that is remote? It did not take long to realize that a good employee is a good employee regardless of where he or she is located. With modern transportation and technology, even employees that live a plane flight away can be responsive and attend to company and client needs. This realization has implications for real estate decisions, which will be discussed further below..

Currently, over a third of the company's employees are remote. This percentage has increased steadily over time. With this increase, Fentress has adapted new policies such as requiring remote employees to pay

for travel expenses to company meetings and events. Thus, an employee has to weigh the cost of monthly travel when considering working remotely.

However, the ability to relocate to other areas of the country often means a lower cost-of-living. The employee needs to balance the expense of monthly travel with the cost-of-living to determine if working remotely is desirable.

IMPLICATIONS FOR REAL ESTATE

The virtual company presents a myriad of opportunity for real estate development. Having no walls and no commute provides a company and its employees with freedom—freedom on how to structure the company and freedom on where to locate. With this freedom, however, there are some issues that must be considered.

Client-centric Locations

The first decision that impacts real estate is where a virtual company must locate to be responsive to its clients. For some companies, client accessibility may be over the phone or via the Internet. In that case, the location options are limitless. However, for Fentress it was important in the beginning for company operations to be located near its clients. Being able to respond to clients via in-person meetings was important for the image and credibility of the company.

However, over time the negative stigma associated with a virtual company has lessened. In the past, Fentress has had clients mention, "I know your dirty little secret" with respect to being virtual. Now, with the advent of technology and the acceptance of telecommuting practices such comments are few and far between. This attitude shift has allowed freedom for the company. It is not only more

acceptable now to be a virtual company, it is also more acceptable to have teleworkers and virtual teams even in traditional companies and organizations.

Today, accessibility to the clients means that Fentress employees must travel to meetings on a regular basis, which necessitates living in proximity to clients or having enough control over the schedule to allow travel to meetings from greater distances. In the latter circumstance, accessibility to a major airport and/or highway has been important to the remote employees of the company. For this reason, all of the employees in Fentress either live in proximity to the Baltimore—Washington, DC Metropolitan Area, or live near a major airport or highway.

It is interesting that no employees live in urban centers—all have moved to the suburbs or more rural areas. The typical employee lives 1 1/2 to 2 hours away from Washington, DC. Many employees have moved from more expensive areas out to suburban and rural areas to find affordable housing.

If these employees had to commute on a daily basis to traditional office locations in Washington, DC or Baltimore, they would probably have made different decisions for selecting a place to live.

Technology Accessibility

Another issue that impacts real estate decisions is accessibility to technology. Fentress Incorporated would not work as effectively if even some of its employees were on dial-up access to email and the Internet.

The expansion of high-speed Internet has greatly enhanced communication, the ability to perform research, and the storage and management of data. Having access to such

technology can be a determining factor on where to live and work. In other words, living and working from a remote location is not realistic without access to high speed internet is not viable.

Cost of Living

A third issue that impacts real estate is the cost-of-living. Many people choose to locate near their respective jobs—with proximity to work and commute time being major factors for choosing a location to live. Many people must weigh work location and commuting time against the cost-of-living. Some people choose to live further from work to take advantage of the lower cost-of-living, which necessitates longer commutes. Others live closer to work with a higher cost-of-living to reduce the stress of commuting. For a virtual employee, the commute does not exist; therefore, cost-of-living can become a major factor in choosing where to locate. In companies like Fentress that are located in an area with a high cost-of-living, salaries and benefits must be competitive with the local market.

This becomes a monetary advantage to employees if they move to areas with a lower cost-of-living. Those states and localities with low tax and living expenses would see an increase in demand for quality living spaces as virtual companies become more common.

Lifestyle and Location Choices

The final point with respect to real estate decisions is that employee interests and values play a greater role in deciding where to live and work. Without the confines of an office and a commute, the employee has more freedom on where to locate. Family connections, school systems, safe communities, the weather, recreational interests (skiing, beach, mountains, etc.), unspoiled landscapes, and resort areas are now playing a greater role in determining where virtual employees live. This is the way of the future for virtual companies.

In *Cities and the Creative Class*, Richard Florida identifies the three "T's" that cities need to attract virtual "knowledge workers." The first "T" is Talent - a city should have a highly talented, educated, and skilled population base. The next "T" is Tolerance - a city should have a diverse community with a "live and let live" ethos. The final "T" is Technology - a city should have the technology infrastructure necessary to fuel an entrepreneurial culture.[12]

In line with Florida's premise, there are many smaller cities, towns, and communities that are actively recruiting virtual companies and employees. They recruit through promoting a healthier lifestyle and accessible technology. For example, cities like Crested Butte, Colorado, have made an investment in fiber optics to attract post—geographic based workers.[13] The prime draw to Crested Butte is nature and recreational opportunities (skiing, golf, fly fishing, hiking, etc.).

Another example is Mesa del Sol, New Mexico. This is a planned community outside of Albuquerque that caters to employees that work virtually—primarily from Southern California companies that allow employees to work remotely. The community is minutes from an international airport, wired for technology, has homes with separated offices, community business centers, and state-of-the-art conference facilities. With plenty of sunshine, low cost-of-living, and the ability to ski and golf locally, Mesa del Sol is a magnet for virtual employees.[14]

The concepts that lead to communities like Mesa del Sol have given rise to terms such as the distributive workforce, no-collar workers, the creative class, and location neutral businesses.[15] The basic premise is that employees should have the freedom to work when they want, how they want, and where they want. The goal of the company is to hire the best talent, not just the best local talent.

RULES FOR REAL ESTATE

Based on the experience of Fentress Incorporated and the growing number of locations that are attracting virtual employees, the following points are offered to guide real estate decisions. The location for a virtual company should have:

1. The *technology infrastructure* to provide high-speed Internet, video connections, and virtual data storage and management.

2. *Access to a major airport and highways*, and accessible for daily delivery services such as UPS or FedEx.

3. A *feel that is attractive* to employees and aligns with employee values, such as recreational opportunities, lower cost-of-living, safety, etc.

4. A *culture that accepts* a different business model. In the wrong location, virtual companies could still be seen as less professional, which causes problems in attracting both employees and clients.

5. *Available lease space* for conference facilities and meeting rooms, as well as the availability of contracted business support to perform administrative services like copying, mailing, and similar duties.

These points are the foundation for meeting the needs of many types of virtual companies: traditional companies where a portion of the employees work virtually, companies like Fentress that occasionally lease space, and independent consultants that require administrative support. All forms of organizing virtually can thrive in a location that contains the features stated in the rules above.

With respect to the future, the primary rule for determining the best location for a virtual company is identifying communities that are attractive to employees. Instead of saving for that second home at the beach or in the mountains, virtual employees will want the freedom to move there now. The greatest trend for the future is for resort locations to invest in technology and the other amenities associated with virtual companies, which will attract employees who wish to work remotely while living their dream.

To quote the movie *Field of Dreams*, "Build it and they will come." Virtual employee want to have a professional job while living and working in an inspiring location, where they can balance their work with their personal pursuits and interests.

CONCLUSION

The lesson of Fentress Incorporated is that a virtual company is composed of motivated employees that want flexibility and the pursuit of a balanced work and home life. This type of company can be created only after removing walls. Those walls are both physical and mental.

On the physical side, greatly reducing or eliminating office space is the way to go virtual. Companies that have already established a traditional office model should start by gradually implementing a telecommuting policy, then move toward having a portion of the workforce work remotely, and finally eliminating the office altogether.

During the period of eliminating space, the company should work on the mental side of removing walls. These are walls of distrust and resistance to change. Management must take the risk to eliminate the walls, both physical and mental, and lead by example. A trusting, enlightened manager is needed for a virtual company.

Having self-disciplined and motivated employees means a more democratic form of management. Trust-based management involves releasing the reins and giving the employees freedom to work unsupervised (this also frees up the manager). Adopting new policies that promote a virtual workforce, identifying needed technologies, and incorporating effective performance measures are all key concepts for a successful virtual company.

As you consider whether to remove walls, it is helpful to know that you are not alone and that there are companies like Fentress that have been working virtually for decades. The future will bring more companies without walls, happier and more productive employees, and a tip of the scales in the right direction to balance our professional and personal lives.

As technology spreads, so will the virtual company. Numerous surveys indicate that the ability for employees to work from home both increases employee satisfaction and reduces company costs. The virtual company is not just a new fad for doing business—it is a smarter way of doing business. What business would not want happier employees and lower costs?

A significant real estate trend for the future is for planned communities, like Mesa del Sol, to cater to a virtual workforce. Many of these communities will be in the suburbs of cities with cultural appeal, located near national and international airports, and be accessible to recreational areas.

Another growing real estate trend will be for smaller cities, towns, and resort areas to add the necessary technology infrastructure to meet the needs of virtual workers. These locations will be less congested, located in more remote areas, and market a life balance approach to attract residents.

While it is obvious that practical alternatives that avoid the time and expense associated with the commute to work are highly desirable, it is premature to claim as do Leinberger and other advocates of New Urbanism that this is *the* solution. The less publicized, but very real benefits of telecommuting and virtual companies, may also offer viable alternatives.

When considering the multiple benefits associated with the virtual company beyond that of minimizing the hardships of the commute to work, it becomes clear that this business model may have great potential to become a significant force impacting real estate development in the future.

NOTES:

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