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Making a Virtual Company a Reality

With the use of technologies like Internet-based phone service and online meetings, small companies increasingly rely on employees who aren't tethered to a central office.

Not only can a small employer save money on real estate this way, but a virtual work force means a larger pool of employees. The appeal of flexibility also can help a small company lure new hires from bigger employers.

But managing a virtual office isn't easy. For business owners who dreamed of building a close-knit company, having employees who work remotely across the country—or the world—is a hurdle.

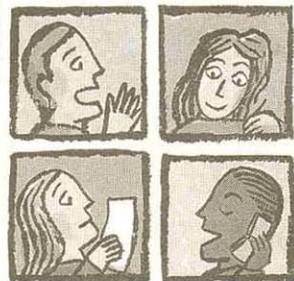
Here's a look at three that have built virtual companies, and how they found the tools, employees and office arrangements that work for them.

Staying Connected

Eric Basu didn't intend to build a virtual company. But the San Diego real-estate market forced him to rethink how to grow his information-technology business, **Sentek Consulting**.

The company has outgrown a series of offices, but in a tight real-estate market, Mr. Basu didn't want to wait months or years to find a suitable space to hold everyone. Instead, the staff works from different offices a few miles apart. With staff split between offices—as well as some people working at nearby Navy bases—the president and chief executive officer realized that he had to come up with a way for everyone to communicate seamlessly.

He began by passing out cellphones and arranging to meet regularly in bars in San Diego. With no good space to



meet, employees joked that meetings would soon be held in the office parking lot. So, Mr. Basu decided that he needed more ways to help employees communicate.

"People talk about a virtual office like, 'How hard could it be?'" he says. "The reality is, it's kind of like a

marriage. You have to plan to make it work."

Sentek now leans heavily on Web-based technology. The company has an Intranet with group calendars, meeting scheduling, document management, as well as a news listing with announcements. "You have to have some kind of central point that users go to for information. If everyone is emailing around, I guarantee you're losing corporate information," Mr. Basu says.

He estimates that between laptops, cellphones, the Intranet and other technology tools, he spends more than \$2,000 on each of his 40 employees each year. He says that's less than half what it would cost to house the staff in a San Diego office.

Employees are encouraged to send text messages to one another and to use online instant messaging. But, Mr. Basu says, just like idle office chat, IM can sap productivity. He asks employees to use two different IM chat names—one for work, and one for their personal lives.

That's not the only adjustment. Many of Sentek's employees are former members of the military, used to constantly reporting their whereabouts and tasks. One such employee called his supervisor as many as 15 times every day to report his progress, until the manager told him not to bother. "For the most part," Mr. Basu says, "people adjust."

Finding the Right Employees

Anthea Stratigos was set to hire one of her early employees when the job candidate said her husband had accepted a new position across the country and asked if she could work remotely.

Ms. Stratigos agreed. Now, nearly 10 years later, her market-research firm, **Outsell Inc.**, has grown to 50 employees—but only four work at its Burlingame, Calif., headquarters.

The biggest challenge, she says, has been figuring out what kind of employee thrives in a virtual work environment—and who can't adjust.

"It's not uncommon for someone to say [via email], 'I'm at

Little League,'" Ms. Stratigos says. "People will say, 'I'm going to be offline between 3 and 5 but will be back after dinner.'" That's fine, she says, as long as the employees are putting in the hours later in the evening.

But the setup isn't for everyone. Some people, she says, just work too much—they can't

turn the computer off. Others feel isolated. One recent college graduate left for a more social environment. One very productive worker came to Ms. Stratigos saying she was working so much she was afraid it was going to destroy her marriage. As many as a half-dozen employees have quit over the years because they don't like working remotely.

As a result, the company has developed a rigorous hiring process to try to determine whether a job candidate would succeed in a virtual office environment. A human-resources manager does an initial interview over the phone. More phone interviews are conducted by the manager who will oversee that position. In between, the manager makes sure to send at least two emails to see how the person communicates in writing, since that's crucial to the way the company is run.

It's usually not until the final interview that the candidate meets Ms. Stratigos in person. At that point, Ms. Stratigos says she tries to ascertain whether the candidate has demonstrated enterprising behavior in the past without a need for constant supervision. She asks how the person organizes his or her day, looking for clues that he or she is a self-starter.

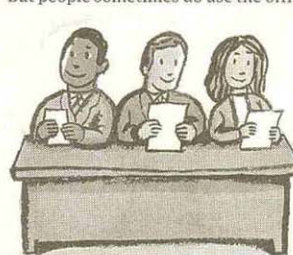
The analysis doesn't stop when the person is hired. Once or twice a year, all employees complete a time log, slotting in their activities. Ms. Stratigos says she wants to make sure employees aren't working too much when the office is down the hall from the bedroom.

Sharing Space

When Raj Sharma founded business-strategy company **Censeo Consulting Group** in 2003, he wanted to limit the near-constant travel common in the industry.

To that end, he hired people for the company's Washington, D.C., headquarters as well as in Texas, Alabama and Washington state—anywhere the company found a desirable candidate. More than one-third of employees are located outside of the D.C. area.

For those living in the D.C. area, where long commutes are common, many employees choose to work from home. But people sometimes do use the office for client meetings.



And those in other states travel to headquarters a few times a year. Some days, "we may have five or six people in the office," Mr. Sharma says. "Other days, we may have 25."

So, Mr. Sharma retooled his company's office space. Rather than assigning desk areas to local employees, each workstation is set up as a temporary space designed for a transient work force. Desks are intended to be cleaned off at the end of each day. At sometimes-unpredictable peak times, Mr. Sharma secures space in a temporary office area next door and small groups rotate into that space so no one feels isolated.

The freedom to work from multiple locations helps keep consultants satisfied, Mr. Sharma says. In an industry known for widespread burnout—often triggered by four days of travel every week—Censeo's annual retention rate averages well over 90%, he says.

—Simona Covel

