The smart way to sustainable business growth

In a global economy, large companies must respond quickly to new developments if they want to stave off competition from disruptive technology and fast-growing businesses. That means balancing strong, stable business structures with flexible strategies which allow staff and finances to quickly scale up and down.

One area that holds big business back is real estate, which is often still owned, or tied to long, expensive leases. However, an increasing number of large companies are breaking the mould and moving over to a new, flexible way of thinking. One that allows them to redeploy their big business firepower where it's most effective.

Using data gathered from our annual Great Big Survey* (GBS), we explore the challenges and outline the advantages of an expansion strategy favouring flexible working options and small, satellite offices, on short-term leases, particularly for international growth.

*Undertaken in January 2016, the Regus Great Big Survey included close to 40,000 business people across 100 countries.

Regus™

Self-employment and success

For companies staking a claim on the global stage, the key deciding factor in pushing for expansion has often been the ability to establish a strong position with a grand HQ and healthy headcount. But as markets become increasingly volatile, old definitions of a 'strong position' are starting to look static and unresponsive.

Technology-driven disruptors like Airbnb and Uber are pushing the speed of growth to ever-more accelerated levels. So it's vital that large companies are not just able to hold their own, but to react and adapt at pace to the changing environment.

A 2015 study by McKinsey & Company collated data from more than two million respondents at over 1,000 companies to see how corporate health was affected by two factors: stability, and the speed at which management adjusts to changes and new ways of doing business.

70%

They found that while both stability and adaptability correlated strongly with a healthy business, 70% of companies that were able to respond quickly to change featured in the top quartile in terms of overall organisational health.

However, while many associate adaptability with small companies, large corporates can actually have a major advantage. In their study The Agility Paradox, branding experts Landor found that expanding and cultivating a global presence helps large companies respond to change. It does this by enabling the business to:

1. Keep an eye on competitors
2. Monitor local opinion
3. Discover new ideas and disruptive technology

50%

of employees spend at least 2.5 days per week working at locations other than their company's major offices.

This concept is already starting to take root, and businesses are spreading out their office networks. Our GBS research found that 50% of employees spend at least 2.5 days per week working at locations other than their company's major offices.

So the challenge for large companies is no longer finding the ideal place for a centralised base. Instead, it's how best to reorient their real estate strategy to make that mobile, flexible workforce more productive and adaptable than ever before. And doing so without sacrificing stability.

Building a stable and responsive presence in numerous locations might seem like an impossible, or even contradictory, task – but it's not. New ideas about office and workspace strategy are making it possible to build a large-scale global presence that can adapt quickly, easily and cost-effectively.

Building scalable solutions

When expansion's on the agenda, large organisations must decide whether to run new operations from their current offices using existing staff, or to invest in local teams. A level of caution is inevitable when it comes to new markets, but managing from a distant head office can bring its own problems.

For example, while it might seem plausible for employees to conduct business-as-usual on the move, Regus research shows only a small proportion were confident doing so.

Just 19% said they were comfortable completing core work duties in a hotel, and 23% were comfortable in a business lounge.

It's not just employees that are concerned either. 69% of respondents to our Workplace Recovery Survey said they were worried about security when their staff worked away from their normal environment.

What's more, these risks can seriously undermine the confidence teams need to establish a brand in new or distant markets, and even the confidence clients need in your business. After all, if your employees aren't confident, how can you expect clients to be?

While it might seem equally risky to invest in local office buildings just to avoid these problems, long-lease property assets aren't the only solution. Increasingly, companies are looking to short-term or flexible leases to ensure they have the facilities they need, in the areas they're most needed, without overcommitting resources.

Many organisations are also looking to flexible, shared spaces to allow their workforce to adapt to new markets.

67% of respondents to our 2016 GBS said that more firms in their industry are adopting co-working office spaces as part of a long-term strategy, and in recent years many large companies including Lloyds Banking Group, KPMG and PwC have all added co-working environments to their office space mix.

This approach allows businesses to trial new markets without committing to long-term payments which hold them back from flexing up and down. It means they can test the waters in the market and fact-find, as well as build a reputation and a network. We'll examine each of these benefits in turn, starting with the financial benefits.

A successful business location...

- **60%** Looks smart and professional and makes us look like a bigger firm
- **52%** Is value for money
- **45%** Is a creative, modern, lively environment
- **36%** Is close to potential clients
- **24%** Offers plenty of networking opportunities
- **17%** Is in an up-and-coming area
- **16%** Offers open-space meeting areas
- **15%** Is appealing to Millennial workers
- **10%** Is close to similar industry or size firms
- **5%** Offers leisure areas such as a ping pong table, an Xbox/ PlayStation gaming area
- **6%** Other

Keeping your finances flexible

Investing in property assets during corporate expansion might look good on the company press releases, but when it comes to responding to market realities, it no longer makes sense to tie up capital where it can't be used for responsive growth.

58% of firms who responded to our 2015 GBS told us that they're reducing overhead commitments, and a further 37% said their business is shedding unnecessary assets.

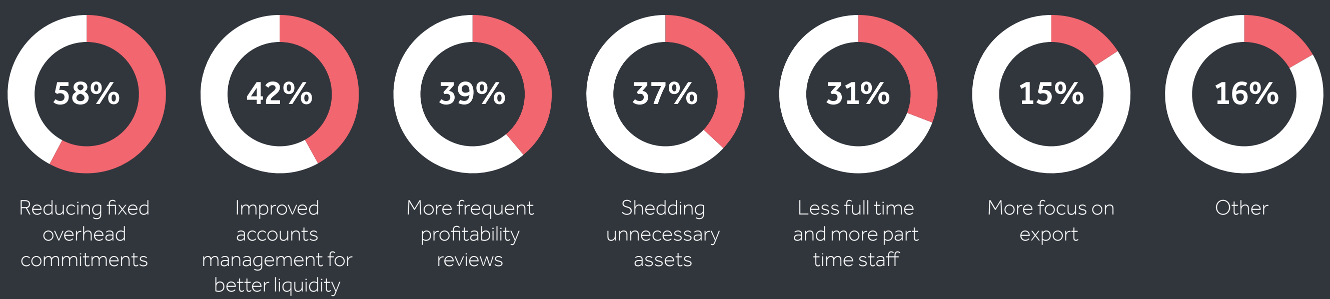
These trends are hardly surprising when short-term leased offices now incorporate so many essential services. These range from business essentials like fast internet access and phone lines to the administrative functions of receptionists and maintenance staff, and even managed meeting rooms – as well as space that can easily be flexed up or down with your headcount.

Cutting real estate costs isn't simply a post-recession exercise in balancing the books. It also forms part of an aggressive growth strategy: freeing up assets to invest in expansion of your business, product research and other vital areas.

When these ventures take off, short-term leases in managed offices and shared co-working spaces means your business can scale its local head count up and down quickly, without added costs, in response to the changing situation. For example, if you need to bring in local contractors for short periods, or bring in head-office talent for the initial phase, you can easily add and subtract workspace without having to take a long-term lease on extra space which will only be partially used. This helps keep finances free to seize even more growth opportunities.

Our data suggests that companies are increasingly turning to this approach to grow their business. In our 2016 GBS, 73% of firms indicated that they were renewing their co-working agreements because it gives them the ability to scale without incurring extra costs – allowing them to spend only when a space is actually being used, meaning that capital outflow is strictly limited to value-adding factors.

Bearing in mind lessons learnt from the global economic slowdown, which of the following are you now doing differently?



Putting down roots abroad

In a connected, digital world it can be tempting to forgo new offices completely when you expand into a new territory, and bank the real estate savings instead. However, there is plenty to suggest that an active presence, particularly in new or foreign territories, directly adds value to large companies.

Moving into a fresh market isn't just about bringing your staff and products to a new customer base; it's also about establishing a presence in the local landscape. Branding experts Landor highlight two particular traits that are increasingly valued, particularly by Millennials, and very relevant in this context. They are being 'leading' and 'true'.

The former means adapting to fit your market and the latest business developments; the latter means remaining committed to your heritage and your message. They may appear contradictory, but they are in fact the same strategy as building a company that is both able to adapt quickly and stable. What's more, both can be achieved by taking on small, flexible-lease satellite offices in your new markets.

74%

74% of GBS respondents said that operating from a work location close to customers or clients boosts their visibility. This shows that having a team on the ground, in managed offices with facilities for meetings, remains an important part of corporate image. It also projects the sense of permanence that makes a potent brand message – it builds a sense of greater authority and trustworthiness, which is crucial to making yourself heard in a saturated marketplace.

At the other end of the spectrum, having a presence in foreign markets enables your existing team to bring their experience to your new venture – but also to engage with local businesses, building networks and adapting to local customs, demands and business practices.

Using satellite offices over a traditional office means achieving these important landmarks of visibility and integration are all the more valuable as they're reached without investing in costly property purchases or long-term leases.

63%

of 2015 GBS participants said that local offices helped them to better understand customer and clients.

Attracting and retaining local talent

61%

of employees would switch jobs for one that offered flexible working.

When your expansion strategy starts to pay off, the next consideration is how to recruit additional team members to meet that demand, and how to retain them for the long-term. In new markets, there's the added consideration of how to attract and retain not just the most skilled talent, but the most skilled talent who also have local knowledge and experience.

64% of GBS participants globally told us that operating from a work location close to customers and clients helps retain local talent. Why? Because opening local offices cuts the time and cost of daily commutes, making for happier, more productive employees.

Opting for shared spaces and short or flexible leases also means your business can choose how quickly to scale headcount up (or down) according to demand too. Without facing any extra costs.

If you're recruiting on a large scale, there are other avenues that may also benefit your business. A flexible office environment is also a key driver in retaining and attracting talent. In the 2016 GBS, 61% of employees from countries around the world indicated that they would switch jobs for one that offered flexible working. Equally, according to the 2016 Deloitte Millennial Survey, work-life balance is now the most important factor when Millennials are choosing a job.

Better still, flexible working even boosts productivity among existing staff. Over three-quarters (76%) of GBS respondents claim that senior managers are more productive if they can work flexibly, and 41% believe junior employees become more responsible and disciplined.

All of which shows how a well-chosen local satellite office can achieve the impressive feat of making your large organisation both stable and adaptable.

Reasons behind the drive for flexible working
(2016 Deloitte Millennial Survey)

61%
Increasing demand for better work:life balance

48%
Increasing demand to work closer to home by employees

44%
Need to create an agile organisation that can meet changing market demands

32%
Rising cost of commuting

31%
Comply with best-practice employee flexibility standards

29%
Desire to attract staff from a wider talent pool

17%
Reduce leasehold property under-occupancy

16%
Rising cost of urban housing

Key takeaways

When expanding office networks, you need to be adaptable.

70% of companies that were able to respond quickly to change featured in the top quartile of organisational health performers.

It's also important to provide your employees with a stable space

Just 19% of workers are comfortable completing core work duties in a hotel, and 23% in a business lounge.

You don't need to invest heavily to get the services you need.

58% of firms are reducing overhead commitments, and 37% are shedding unnecessary assets.

Getting close to clients still pays dividends.

Operating from offices close to clients increases visibility (74%) and helps your team better understand the market (63%).

Good satellite offices will benefit recruitment strategies.

64% of businesses believe that operating from a work location close to customers/clients helps retain local talent.

Offering flexible working can boost productivity.

76% of survey respondents claim that senior managers are more productive and 41% believe junior employees become more responsible and disciplined if they can work flexibly.

For more information about finding the perfect space for your business, download our app or head to our website.