

Preparing your growing business for an unpredictable future

SMEs (small and medium-sized enterprises) drive job creation in the global economy, providing 60-70% of jobs in most OECD countries. Despite this enormous contribution, less than half of them survive for more than five years, and only a small proportion will achieve their full potential and become fast-growth firms.

Uncertainty is among the biggest challenges small businesses face. From the global economic outlook and the political landscape, to deciding whether to expand by increasing headcount, client base or global reach, businesses must make the right decisions to secure survival and growth. Often, many struggle to predict whether they'll need twice as much office space in 12 months, or half as much.

Using data gathered from our large client base of sole traders through our annual Great Big Survey* (GBS), we explore the key challenges faced by fast-growing businesses, and come to conclusions about how they can plan for success without risking stability.

Planning for the unpredictable



58%

of respondents reduced fixed overhead commitments in response to the economic slowdown

Amid political and economic uncertainty, from Brexit to economic volatility in China, it's never been more important for small, fast-growing businesses to get their expansion strategy right.

The World Trade Organisation predicted sluggish growth in global trade for 2016, but anticipates an

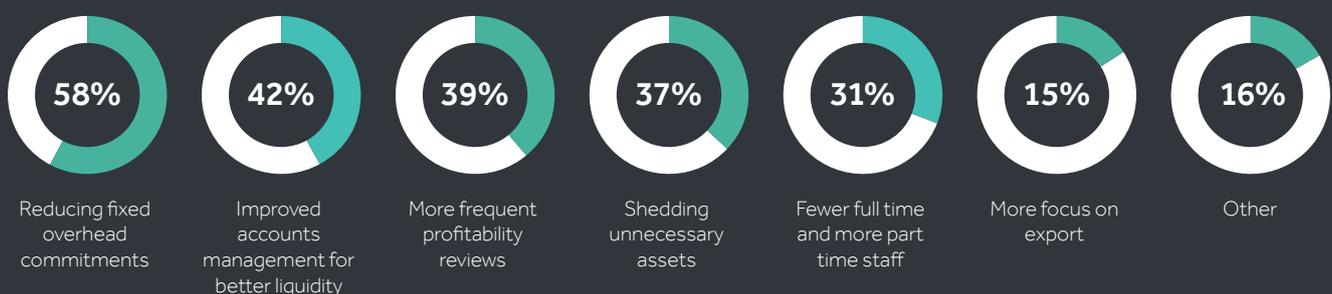
improvement in 2017. Many firms may see this as an opportunity to make tentative steps into export, taking products and services into new markets for the first time, which raises challenges from meeting the demands of a new demographic to visibility in a new marketplace. Others may choose domestic expansion, increasing headcount or seeking out a bigger pool of clients. This requires careful property planning to host meetings and house hires, but the decision-making process has to be rapid to meet the pace of change, and that means flexibility is key.

OECD evidence also suggests that access to finance is still holding back fast-growing businesses around the world. This provides the additional challenge of funding whichever

strategy best suits your business, particularly in a tough economic environment. As companies look to test the waters of these various growth strategies, without overextending their resources, we're seeing increased uptake of scalable workspace options, particularly in co-working spaces and flexible office leases, as well as products such as access to meeting rooms and business lounges.

However, far from being a last resort for struggling small businesses, it's in fact a solution which significantly increases their growth potential. We explore the range of different ways in which fast-growing businesses can meet the challenges of new markets – and why they let you take advantage of a rapid pace of change.

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



Taking opportunities when they come

The first part of planning for growth is creating a space in which it can happen. That means having the structural and financial flexibility to make swift decisions and grasp opportunities as soon as they appear.

The 2015 Zurich global SME survey reveals that a vast majority of businesses (91%) favour organic growth over acquisitions, with 31% believing that cost and expense reduction was their main opportunity for growth in 2015. This shows that, rather than making big, long-term commitments to secure growth, companies are more inclined to expand from a

pre-existing base, and to have closer control over staffing costs and overheads as they test new opportunities.

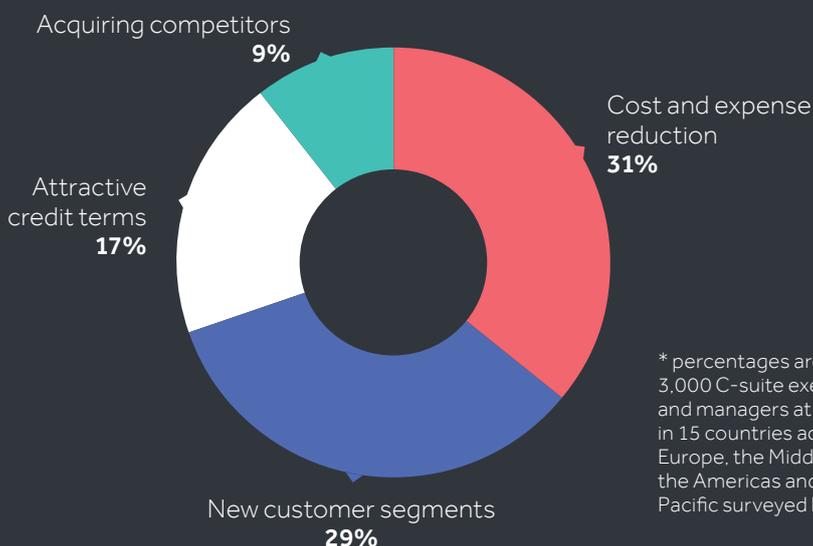
Choosing flexible office space is proving an increasingly popular solution to cost-control strategies, with many businesses opting either for flexible leases on office space or to work in shared co-working environments – in fact, GBS research demonstrates that 79% of businesses find co-working spaces more cost-effective than fixed leasing arrangements.

There are clear signs that cost control is actually a key precursor to

any growth strategy. Our research reveals that 81% of companies globally think that money saved by firms choosing flexible working over fixed-length office leases should be reinvested into growth initiatives.

This strategy of building a flexible environment to enable growth is so successful that, according to the GBS, co-working is now mainstream in over 60% of small businesses around the world. However, the motivations for this vary significantly, depending on whether their sales strategy is targeting existing or new markets.

Business opportunities identified by SMEs in 2015*



* percentages are of the 3,000 C-suite executives and managers at SMEs in 15 countries across Europe, the Middle East, the Americas and Asia-Pacific surveyed by Zurich.

“Regus has served as a way to save my cash-flow while I grow the business with other expenses, such as marketing, email campaigns and customer service means.”

Doron Schnaid,
Doron Schnaid Insurance &
Financial Services LLC, USA



Building without buying

Expansion in an existing market is never easy; high levels of competition from domestic and offshore or remote-working firms makes standing out from the crowd and attracting and converting new leads extremely difficult.

Projecting an image and building a brand that fits a fast-growth company gunning for success is an important part of pitching to new clients in a saturated market. 60% of GBS respondents say that a successful business location must look smart and professional, and give the impression of a bigger company than they actually are.

Often fast-growth companies equate this with investing in their own large offices, but shared spaces also offer access to professional office spaces with meeting rooms, high-end technology and areas to engage with and present to potential new business. Equally, flexible offices give you access to smart, well connected workspaces without requiring long-term investments and leases, giving you the option to use only what you need, when you need it.

68% of GBS respondents consider the benefit of co-working is being

able to sustainably grow their company, and 44% believe that flexible working helps them become more agile. A key reason for this is flexible spaces allowing access to big-business resources on small-business budgets.

The other crucial component of flexible office spaces comes after you've successfully turned your leads into conversions – that's when you need to be able to increase headcount at short notice, and at no extra cost.

73%

73% of GBS 2016 participants say that scaling operations up or down quickly, without incurring extra costs, is the main benefit of flexible workspaces. The adaptability of Regus short-term leases means that companies have the opportunity to rapidly increase the amount of space available to them without punitive charges or unexpected changes to pricing.

This is particularly useful in the case of domestic expansion, where you'll often have the connections to

“For us, expansion is the most important to our plans. As we grow and hire new employees, we will need space to put them in”

James C. Fair,
COO of AME, USA

grow quickly, and the need to take advantage of opportunities as soon as they arise, rather than spending time acclimatising and generating leads in a new market.

Of course when it comes to increasing headcount, the ability to attract new talent is another crucial factor – and flexibility is proving to be crucial here too. New talent is increasingly attracted by a different kind of workspace set-up than in the past; 61% would actively change their job if more flexibility was offered elsewhere. If you need to grow your headcount quickly, being able to offer benefits like this can make the hiring cycle shorter, allowing you to grow quickly without losing productivity.



Moving into new areas

Moving into new areas, whether at home or abroad, is an evolutionary process that involves adapting to new cultures and demands. In this environment, flexible office leases create a safe path to test the waters without risking financial stability. They allow you to set up in a prestigious and convenient location without being tied into long leases, so that you can quickly expand or contract your space as needed.

Regus research shows a series of benefits to expanding into new spaces that are physically close to customers and clients. For 74% of businesses, this proximity increases visibility, helping to solidify your brand in a new market and get your service noticed.

Opting for flexible working spaces can also act as a lead generator. 66% of GBS respondents said their flexible working spaces offered new business and new project opportunities, thanks to close contact with a range of local businesses. This allows fast-growing companies to move more quickly towards building relationships with potential clients and generating leads.

Localisation remains a major challenge, however, so it's even more significant that finding spaces close to your target market helps to understand customers and markets better (63%). Being able to engage directly with a range of businesses and professionals on the ground

in your new target market will yield insights that desk-based research simply can't: whether that's ways of working, cultural habits that affect business etiquette or specific market conditions that aren't evident from a top-level overview.

Equally beneficial for fast-growing companies moving into new markets is that, according to our tenants, moving into offices near to new clients means they're able to respond to customer problems more rapidly and effectively (74%), which means a stronger relationship and often greater customer satisfaction – a crucial part of quickly building a reputation in a new market.

“The best thing about Regus over other co-working options is its ubiquity. I can go anywhere in my city and find an office.”

- Peter diGiammarino, CEO of IntelliVen, USA





Creating flexible environments

We've already seen how expansion doesn't necessarily require significant financial commitment, and how flexible office spaces can be advantageous in specific expansion scenarios. Nonetheless, fast-growing businesses do still face new challenges on a month-by-month basis.

Wherever your business expands, you may encounter uneven growth or short-term fluctuations in demand. If you've invested in long-term leases or property assets, this represents a major, ongoing challenge as you're tied into something that no longer suits your needs. In flexible spaces, however, you're free to scale your headcount up or down in response

to fluctuations in your business without significant capital costs.

44%

Flexibility is your friend when it comes to shifts in global business and employment trends too. For example, GBS research shows that 44% of businesses believe the need to create an agile organisation that can meet changing market demands is one of the main drivers of flexible working.

It sounds complex, but the principle is simple. Market demand fluctuates, and your business needs

to scale up or down to match it. Instead of raising and lowering headcount directly, you offer employees the chance to work shorter hours, or take on projects remotely, coming into your office space for meetings and debriefs.

Traditional office space cannot keep up with these changes without incurring additional costs and wasted space. In a fixed model, if a quarter of your employees work compressed hours, you're paying to have a quarter of your desks sitting empty for much of the week. Flexible spaces give you the leeway to respond quickly and efficiently, giving you exactly the amount of space you need and only when you actually need it.



"I usually only need one office, but I have hourly employees who provide seasonal services. I am able to add and subtract office space as my needs require."

- Julia Kingston,
Managing Member of Kingston Tax Advisors, USA

Key takeaways

Utilise co-working spaces to survive and grow in a volatile global economy.

79% of survey respondents told us that co-working spaces are more cost effective than fixed leasing arrangements.

Reinvest your cost savings to spur growth.

81% of businesses say that money saved by businesses choosing flexible working over leasing fixed office space should be reinvested into growth initiatives.

Relocate to new markets to aid expansion.

Finding spaces close to your target market increases visibility (74%) and helps you to understand customers and markets better (63%).

Consider co-working spaces to source new business leads.

66% of survey respondents said their co-working spaces offered new business and new project opportunities.

Switch to short-term leasing for a sustainable growth strategy.

73% of businesses say that scaling operations up or down quickly, without incurring extra costs, is the main benefit of co-working environments.



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

 **Regus**[™]