

Growth's secret challenge ... finding enough space for it

Rapid growth is cause for celebration. It's also the cause of some head-scratching because in many sectors it arrived much faster than expected.

South African executives were not raised to confront the challenges of growth. In the last 10 years of apartheid, GDP growth averaged 1% a year. Between 1994 and 2004, the annual average was 3%.

In the '90s and the first couple of years of the new millennium, South African companies were cutting team members and reducing office space, unbundling and reducing hierarchy for the global challenges to come. When the E-word was used it meant 'efficiency' not 'expansion'.

Now GDP growth is at 5% and there is growing confidence our country is on a trajectory that will take us to the 6% target for 2010-14 by the government's Accelerated and Shared Growth Initiative for South Africa (Asgisa).

Analysts tell us corporate earnings continue to surprise on the high side and company after company is planning major investments in new plant – hardly a surprise as capacity utilisation across South African industry is at 86% and rising.

A breather seems unlikely.

The business confidence index of the Rand Merchant Bank and the Bureau for Economic Research says out of 20 firms expect the improvement in business conditions to continue. Business confidence has never been so high for so long.

Job prospects are improving, too. The FNB economic unit recently reported that jobs growth was running at 3%-3.5%, adding another 300 000 a year to the formal sector middle class and a further 200 000 p.a. to those in informal sector employment.

Some industries grow faster than others and within business some activities expand more than the rest.

From orphan child, to...

Take training... once it was the orphan child of a corporate sector that under-invested for years in people development, but a reshaped policy environment and new trends in corporate reporting have changed all that.

The Skills Development Levy and related legislation put the spotlight on training investment as never before. Every year, the number of staff registered for learnerships goes up, as do skills transfer budgets.

In 2006, a major employer like Eskom spent more than R500 million on training. The figure is expected to rise by about 30% in 2007.

Similar trends are evident at listed companies.

Sustainability reporting has created new benchmarks for corporate performance. Training and people

development are seen as a central pillar of sustainability and a key contributor to a company's sustainability index.

International companies setting up subsidiaries or JVs in South Africa are also big on training. The Department of Trade and Industry's Small and Medium Enterprises Development Programme offers a 50% training rebate to foreign firms that open up here.

The DTI reports that in the SMEDP's first six years, 7 434 projects were approved for assistance. Investment by the foreign firms totalled R36 billion and led to 195 000 new jobs.

No wonder mentoring, learnerships, apprenticeships, specialised courses, alignment with company practice and best practice, induction training, supplier orientation etc are major growth areas.

Facts

- * South Africa is achieving 5% growth, with 6% projected by 2010 in line with government's Asgisa strategy
- * For 20 years, we could only manage 1-3% growth.
- * Business, therefore, has little experience of responding to rapid growth. Simultaneously, changes to the policy environment and new trends in sustainability reporting have driven up training budgets and led to an upsurge in trainees and inductees.
- * Companies need flexible, on-demand training space if they are to meet
- * an aspect of the growth challenge no one expected.

We therefore have a situation where the economy is growing faster than future-spotters anticipated, job creation is rising at a rate no one dreamed possible even 18 months ago and skills development has taken off in a corporate sector that spent decades managing down its training costs.

National planners tell us the key constraint to growth is a dearth of skilled people to sustain the impetus. Executives inside our major companies confront a less talked-about constraint – where do you put all the new people and where do you accommodate all the training activities?

In most instances, a big influx of new workers was not on the horizon when office leases were signed, and some longish deals were done to exploit the softer commercial property market of just three years ago. Demands on space were significantly underestimated, and as a result, some companies are now running out of room – from the corporate car-park to the toilets.

Quickly putting up a new office is easier said than done. Capacity constraints also affect construction.

Building costs are rocketing and cement shortages are reported – two side-effects of the building boom in preparation for 2010 and other major works. Spending on new fixed investment is reportedly rising at 13% year.

Innovation is needed

Innovative solutions are obviously required if all those fresh-faced corporate trainees and new recruits are to be accommodated.

We therefore see more interest in concepts like 'hotelling' (providing office space to employees as it's needed rather than on a constantly reserved basis) and 'hot-desking' (when a desk is used in turn by fast-

paced, nomadic employees who flit in and out).

Training, however, falls into a special category and requires dedicated space, at least for a time.

It is hardly surprising therefore that training and meeting rooms are a focus area for the Regus Group (<http://www.regus.com>), the world's largest provider of pioneering workplace solutions, operating across 9 centres. There are more than 3 700 meeting rooms across its worldwide network.

Local subsidiary, Regus South Africa, reports that training room enquiries have doubled year on year – further confirmation of the massive upswing in training activities across corporate South Africa.

Companies can no longer meet their training requirements with a whiteboard and a few felt-tipped pens. High-speed Internet access may be needed, and audio-visual training aids are often a must. A video-conferencing hook-up with other national centres or the international head office may also be a key requirement; not to mention catering and office support.

The challenge for business is that lifelong learning may be just that, but training and induction needs fluctuate; there might be a seasonal 'rush' of inductees or new legislation may create a sudden need for an update on revised industry practice.

South Africa's reformist legislature keeps many industries and specialisations on their toes, with the National Credit Act the latest example.

Flexible outsourced space has therefore become the solution of choice for businesses that realise the challenge of rapid, fluctuating growth is unlikely to be met by yesterday's model of the 'territorial office'.

Burgeoning enquiries for training space on demand indicate that one of the key lessons of the current growth cycle is that dedicated 24/7 training space for 365 days a year is a cost you can do without.

For more, visit: <https://www.bizcommunity.com>