

EXECUTIVE SUMMARY

There are mixed messages being circulated about the Australian economy. Optimists say it's one of the strongest in the world. Those with a gloomier outlook may focus on falling commodities prices, a weakening Australian dollar and the diminishing strength of the mining sector. There's no doubt that the economy can seem like a rollercoaster – one that takes businesses of all shapes and sizes along for the ride.

Amidst the ups and downs, how do the leaders of our businesses cope? How are these businesses performing day to day? Are they winning new business? Are they expanding their office space? Are they hiring staff? In short, are they experiencing growth?

These and other questions were posed to 441 executive managers and business owners of Australian companies in the inaugural Servcorp Australian Business Growth Monitor.

Conducted in June 2013, the survey paints a grim picture of the business environment as it stands today. Many Australian businesses struggled in the financial year 2012-13, with the survey revealing that:

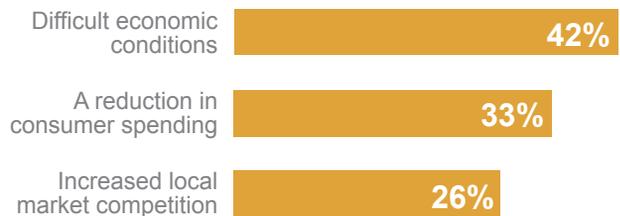
Half (**51%**) of the businesses surveyed experienced no revenue growth



The majority (**75%**) saw no change to staffing levels – only one in four (**25%**) companies increased their headcount



Almost four out of five (**79%**) experienced significant barriers to growth, citing:



Close to two thirds (**62%**) are dissatisfied with the level of support provided by the current Federal Government, and nearly half (**45%**) believe their business would be better off under a Coalition Government



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These findings are consistent with other studies of business growth and performance in Australia. For example, the NAB Quarterly Business Survey for March 2013 found that overall confidence is subdued, and remains below long-run averages.¹

Yet, despite the current pessimism, business owners are optimistic about the future. The research shows that, in the next 12 months:

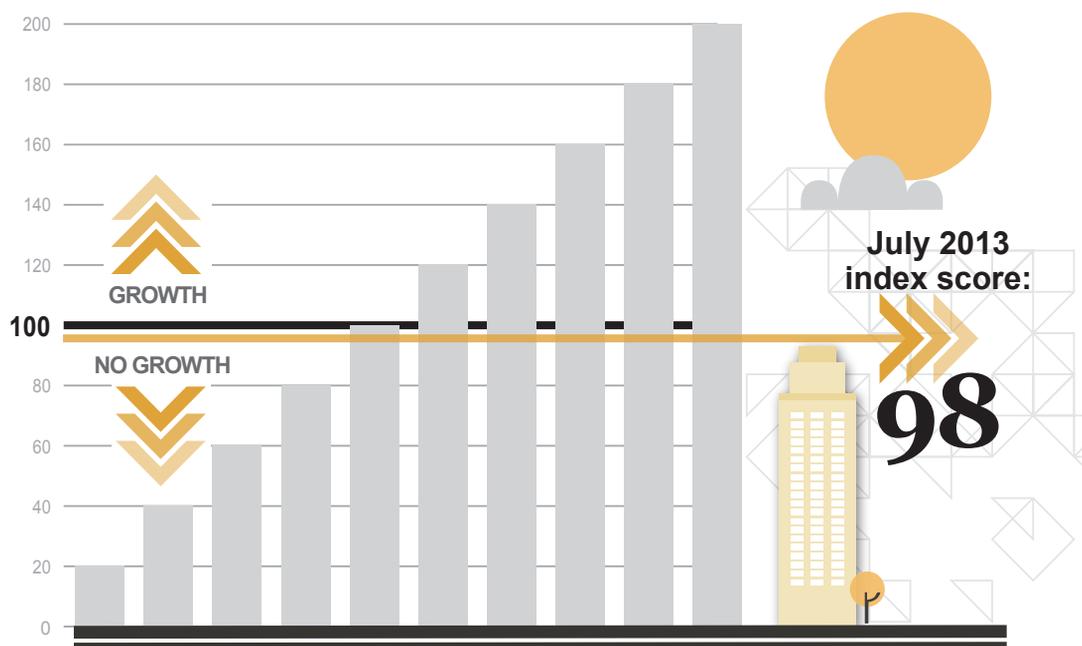
- **60%** expect growth, **12%** predict strong growth
- **70%** plan to invest in technology to help grow their business
- **One third (33%)** of those businesses that experienced a decline in revenue over the past financial year predict a turnaround in 2013-14

These optimistic forecasts are not necessarily echoed in the broader financial community. While the Reserve Bank of Australia (RBA) is forecasting “modest growth in 2013-14”², many economists predict that growth is going to slow in the year ahead, and “business will invest less in the new financial year than it did in 2012-13.”³

The Servcorp Australian Business Growth Monitor

The Servcorp Australian Business Growth Monitor is a regular survey exploring business growth in Australia conducted every six months by Galaxy Research on behalf of Servcorp, the Australian based global leader of the serviced and virtual offices industry.

The Servcorp Australian Business Growth Monitor will include an index of business growth. The index will track business growth over time, looking at current and future performance, as well as the different factors both impacting and contributing to business growth among Australian companies.



¹ <http://business.nab.com.au/quarterly-business-survey-march-2013-3220/>

² <http://www.rba.gov.au/publications/smp/>

³ <http://www.theage.com.au/business/the-economy/economic-slowdown-to-be-worse-than-forecast-survey-20130705-2pg4i.html>

TRENDS & ISSUES

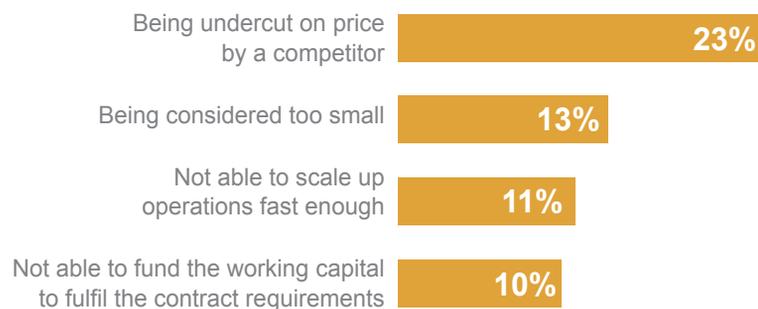
What are some of the deeper issues facing the business sector? What is holding them back from growth? And where do business managers identify new opportunities?

The rest of the report examines the trends and issues that are impacting growth in the business sector – from the reasons why they are missing out on deals, through the effects that Government support has on business confidence, to their plans for the future.

Companies are missing out on deals

Many Australian businesses are failing to land those big deals that boost confidence and make growth a real possibility.

The survey found that almost half (**47%**) of Australian businesses missed out on a major deal in the past 12 months. The principal reasons for failure include:



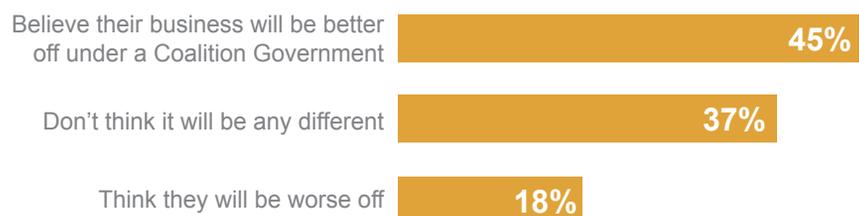
As these reasons demonstrate, there are a range of broader factors at play. Cost pressures are putting a lid on business growth, which in turn hampers these companies' ability to respond quickly and competitively to new opportunities. They need to find ways to reduce everyday operating overheads so they can either reduce their prices or scale up quickly in response to potential jobs.

Government support needs to improve

The majority of managers and business owners are dissatisfied with the level of support being offered to them by the current Labor Government.

When asked to rate their satisfaction with the Federal Government's current level of support for their business – specifically, in terms of helping them succeed – **62%** are either dissatisfied or very dissatisfied.

In fact, the consensus from the research is that business will be better off if the Coalition wins the upcoming Federal Election.



TRENDS & ISSUES

High costs impede expansion plans

For many businesses – particularly professional services companies which typically rely on reputation and image when winning new business – their office space is integral to long-term success. These businesses need professionally fitted-out offices that leave a positive impression with potential clients; yet the costs of traditional office spaces are proving prohibitive.

A recent report found that Sydney is the ninth most expensive office rental market in the world.⁴ The other major Australian cities aren't far behind. The findings from the Servcorp Australian Business Growth Monitor supports this, and it comes as little surprise that the cost of either renting or buying office space is a major burden for business.

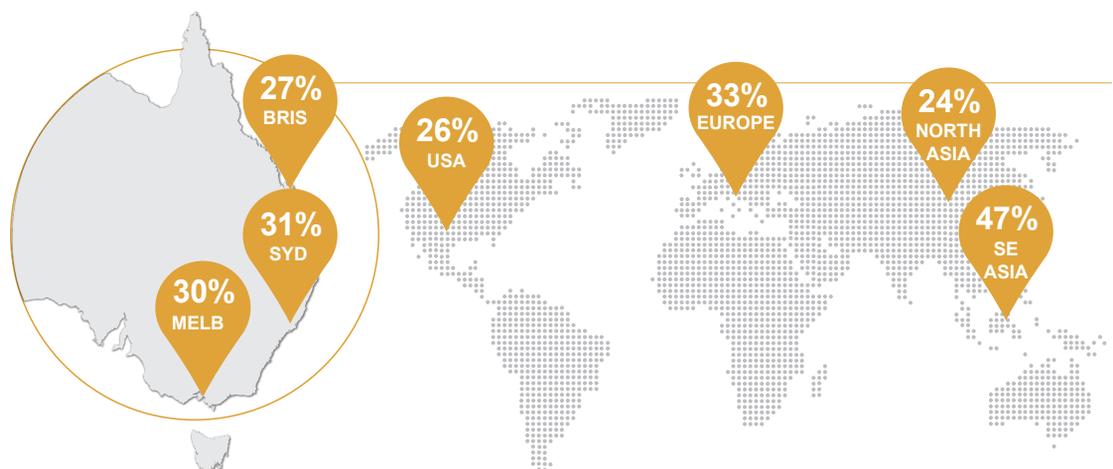
The survey found that more than one third (**38%**) of companies are constrained by their premises – in other words, their place of business is getting in the way of growth. The key issues that are holding businesses back in this area are:



Despite the fact that so many businesses find that their premises are holding them back, only **14%** have opened a new office in the last 12 months.

Looking to the future – and given these findings – it comes as little surprise that the vast majority of Australian businesses have no plans for expansion, either within Australia or internationally. According to the survey, very few companies (**11%**) are considering to expand by opening new offices in Australia. Even less (**8%**) are looking overseas.

For the small proportion who are considering opening a new office in Australia or planning to venture overseas, the top locations for expansion are:



⁴ <http://www.propertyobserver.com.au/office/sydney-remains-ninth-most-expensive-office-rental-market-in-the-world-cushman-wakefield/2013022059460>

TRENDS & ISSUES

Despite no expansion plans, growth is anticipated

As noted in the key findings, the immediate future is bright for the Australian business sector. Despite today's gloomy outlook, almost two thirds of businesses (**60%**) are forecasting growth over the next financial year, and **12%** are predicting strong growth. What's more, **33%** of those businesses that experienced revenue decline during FY13 predict a turnaround in FY14.

So how, exactly, do these businesses plan to achieve this anticipated growth? Where will they invest their resources to either turn their fortunes around or get further ahead?

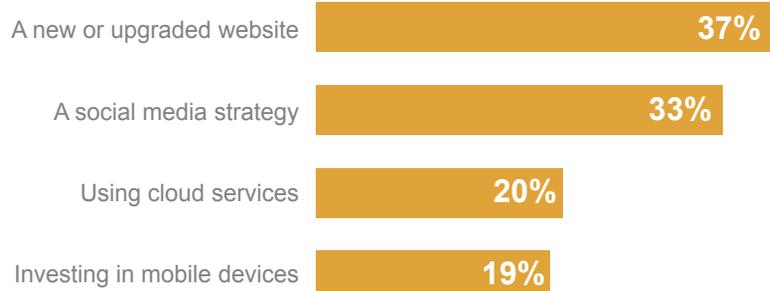
Interestingly, the majority of businesses are taking a conservative approach to staffing, with **63%** expecting no headcount changes over the next 12 months. The RBA's May 2013 Statement on Monetary Policy supports this finding:

“With firms more focused on seeking productivity gains, employment growth is expected to be moderate in the near term.”⁵



This suggests that Australian businesses are set to look to increase internal efficiencies and productivity to help fuel their predicted growth. How will they do this? At a very general level, efficiencies will be gained by finding smarter ways to run the business, such as reducing overheads and cutting costs. Productivity gains will be had by training people to work more effectively; and by outsourcing appropriate administrative tasks.

Companies are also turning to technology to support anticipated growth over the next 12 months. The research found that **70%** of businesses plan to invest in new technologies, specifically:



These investments will in turn help to boost productivity and efficiency – and win new business – and thus help the sector to climb out of the rut that it is currently stuck in.

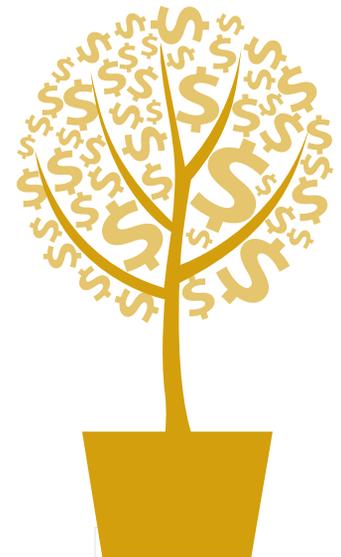
⁵ <http://www.rba.gov.au/publications/smp/>

SUMMARY

The inaugural survey for the Servcorp Australian Business Growth Monitor reveals that the majority of businesses are not confident about their current performance; are missing out on major deals; and feel dissatisfied with the current Government's support for their endeavours.

On the bright side, the survey shows that the majority feel more confident about longer-term performance – tellingly, that those who are struggling right now believe their fortunes will change in the next 12 months.

It is such confidence that enables the business sector to ride out the current challenges and continue to invest and innovate, to grow their business, and to seek out new markets.



 **SERVCORP** www.servcorp.com.au

Servcorp Ltd (SRV:ASX), is Sydney based and the world's leading provider of executive serviced offices, virtual offices and superior IT and business infrastructure solutions, operating 132 floors in 52 cities across 21 countries. A multiple award winning Australian business, Servcorp is Australia's second-largest exporter of services.

More than just an office, Servcorp's serviced and virtual offices make it possible for businesses to succeed and grow. From SMEs to large global brands, Servcorp can help to establish your business and position your company for success – its premium serviced office suites offer unrivalled technology, services and support staff in the best locations across Australia and the rest of the world: as long as you want and for less than it costs to have a traditional office.