

# **White Paper: Space Challenges of Rapid Growth Companies**

## ***The Case for Prefabricated Construction***

### **Introduction**

The challenges of finding adequate real estate – and making the most of it – often wreak havoc in the lives of companies. The situation is only exacerbated by dynamic, rapid growth in booming industries such as biotech, and can distract management at pivotal moments and suspend expansion plans.

Rapid growth companies experience office space crunches early and often. Senior executives often state their biggest headaches aren't around customer service, containing costs or quality control, but in finding adequate parking or trying to convince teams to set up shop in a converted storage closet where they're crammed in like sardines in a can.

These distractions can cause leaders to delay hiring, miss opportunities for further growth, and/or lead to higher staff turnover. And for the staff that remains, these challenges can also take them away from more meaningful, strategic and profit-producing work.

Companies in more established sectors can have the luxury of planning their real estate decisions months, or even years, in advance, with a carefully thought-out plan from day one. Rapid growth companies don't have that luxury. And in a tight real estate market, any company in any sector will face longer search times, which can take key staff away from more meaningful, profit-producing endeavors.

### **Biotech and the perfect storm in Boston's Kendall Square**

The biotech industry in Boston, MA, presents the perfect storm with respect to rapid growth companies struggling with their spaces, and the epicenter for one of the largest and densest biotech hubs in the world is Kendall Square.

The neighborhood squeezes well over 100 biomedical firms large and small into a one-mile radius. Investors, patent lawyers, contract research organizations and suppliers that support them also squeeze in; while technology giants such as Google and Microsoft and the multinational drug firms Novartis and Pfizer have dramatically expanded their offices and laboratories in the neighborhood, eager to build close relationships with hot start-ups and the academic powerhouses of Harvard University and MIT.

The density and diversity of Kendall's biotech ecosystem make it unique, says Fiona Murray, associate dean for innovation at the nearby Massachusetts Institute of Technology (MIT) Sloan School of Management. Urban centers around the world have tried to replicate it, mostly without success. And in places where biotech is thriving, such as the San Francisco Bay Area in California and the outskirts of Washington, DC, the hubs are more spread out.

## **You have the space. Now what?**

Apart from the near-crippling shortage of real estate, if a company is fortunate enough to secure space in a hot real estate market such as Kendall Square, you can practically guarantee it is going to be far from move-in ready on day one, let alone agile enough to meet a rapid growth company's evolving needs. Rapid growth companies, like biotech, typically experience two phases of development after a successful start-up period. Let's call them 0-60 and Overdrive.

### **0-60**

Your company is rapidly gaining momentum ... very rapidly. You have evolved past the garage workshop or meeting at the nearest coffee shop, and are ready to create a sense of identity and legitimacy while maintaining flexible. You know you're on to something good ... but just how good remains to be seen.

You're competing for talent, and the Millennials you want to hire are looking for more than a good salary. What you stand for as a company is critical to them - as is the environment where you want them to spend a great many of their waking hours.

Ramp-up companies like yours may move or expand several more times during the first three to five years, so flexibility is key.

### **Overdrive**

Congratulations - your company is on its way to dominating the industry! You have many happy employees and may be considering expanding nationally or globally. You're a relatively stable company, and you have concerns about how workspace occupancy directly affects your bottom line.

You have a strong focus on branding and on what your space says about your firm. You may have several types of facilities, such as data centers, call centers, shipping facilities and/ or production factories.

## **Key Considerations for Rapid Growth Companies**

## **Number-crunching**

Rapid growth companies often move toward open-concept spaces rather than offices or cubicles, which are seen as less able to meet changing needs. Where a decade ago companies planned for 250 square feet per person, the average is less than 150 today, and in some cases just 100. But packing work spaces densely together can create costs, particularly for tech-intensive companies given an increased need for more power and more air conditioning because of all the heat generated by equipment. The quality of the space also becomes more important as space allocations are reduced.

## **Location**

It's not just about where you do business any more, but where your key talent live and the experience you want to provide them during office time. The cost of losing talent and the difficulty of attracting new talent is a major part of the equation.

## **Earning buy-in**

Employee input is becoming more important in deciding how space is used: involve them in the process. The "cool factor" is important to younger employees. There is strong growth in demand for funky spaces such as renovated brick-and-beam buildings, and for environmentally sustainable work spaces.

## **Crystal Ball Space Forecasting vs Flexible Reconfiguration**

In the early 2000s, rapidly growing tech companies would sign leases on spaces much larger than they needed, with the expectation they would grow into them. That proved disastrous when the tech bubble burst. The lesson learned? Today, if you need space for 100 and you think you might grow (even rapidly), find space for your current needs in a building where you have the ability to change / scale up.

## **Addressing the Challenge – Prefabricated Interior Construction**

How you choose to build can mitigate some of the challenges of rapid growth. Traditional studs-and-drywall can on the surface appear to be less costly, but it lacks the flexibility that rapid growth companies require. Changes needs mean construction and the attendant dust, debris and distraction. Inexpensive low walls and modular furniture may not provide the high-quality aesthetic a young company wants to project.

Prefabricated construction, when approached as a holistic solution, can provide the design aesthetic, quality and flexibility to meet and match growth needs. It also moves interior construction from a cost to an investment that can be reused and amortized over a longer time.

## **Speed via Technology**

Prefabricated interior construction achieves rapid lead times through the use of technology, specifically software. It is not simply design software, however, but rather the full set of manufacturing instructions with a direct feed to the manufacturing floor resulting in speed to the job site.

Prefabricated interior construction solutions significantly reduce installation time and allows other trades to keep working on-site with minimal disruption. Projects are completed on or ahead of schedule without sacrificing quality, safety or the environment.

### **Cost Certainty**

This approach to interior construction provides cost advantages throughout all phases of a project. From visual design and specification software, rapid manufacturing lead times and efficient installations, companies that use prefabricated interior construction benefit from unmatched financial benefits.

Conventional builders spend approximately 70 percent of a given budget on labor, contingencies, fees and conditions, with the remaining 30 percent on materials. When value engineering inevitably impacts a project, the only way to stay within budget is to lessen the quality of materials, as labor cost reductions are seldom realized. Prefabricated interior construction reverses this spending model; approximately 70 percent of a given budget goes toward materials and 30 percent is spent on labor. The bottom line? A higher quality and more functional space that will adapt to change in a quicker time frame.

### **Design Freedom**

There is a myth that claims prefabricated construction solutions limit the design potential of a space. Nothing could be further from the truth! Today's prefabricated construction solutions provide complete freedom of self-expression and interiors to be created exactly as they are imagined. Precisely manufactured components let you create distinct spaces regardless of scale, scope or industry. Projects with wide parameters, unique angles, specific finishes, complex building challenges, sustainability mandates and bespoke elements can all be fully accommodated.

### **Future Proof**

Prefabricated solutions look and function as permanent features, but allow you to adapt to your organization's evolving needs. All components can be disassembled, moved and reconfigured quickly without dust, delay or design constraints. Initial project needs are met from the beginning and you can be confident your space can adapt to any situation with ease, at any time, without compromising performance.

The ability to adapt quickly and painlessly to changing requirements is mission critical to rapid growth companies. Modifying your interior to better position your company for the future can be quick, clean and convenient with prefab as opposed to conventional construction.

It is also imperative to be able to integrate new or existing technologies and keep them current with ease, update utilities and data networks, and adapt spaces to meet business needs to optimize your competitive advantage.

## **Sustainability**

Greener, sustainable building practices are a priority for companies and many are turning to prefabricated interior construction as their solution. Prefabricated interior construction all but eliminates waste generated from demolition and future renovations. Prefab solutions are the ultimate example of re-purpose and re-use: they are flexible, adaptable and essentially built to be un-built and built up again.

## **Ease of Maintenance**

Prefab interior construction solutions provide clean, rapid, and non-disruptive maintenance. The materials are highly resilient and help reduce downtime so companies can focus on business as usual (or unusual as it may be).

Facilities teams have easy access to the inner cavity of the walls. Utilities, technologies, power and data can be maintained, repositioned or extended without the dust and noise associated with tearing out and replacing drywall.

## **In Summary**

The world of construction is changing - whether the traditional construction industry likes it or not. While biotech's roots go back to the early 1900s, advances have dramatically changed its focus and scope over the years. And in the same way that technology has been a key driver of biotech's evolution, technology is impacting how we think about building interior spaces. Prefabricated interior construction provides companies of all industries, shapes, and sizes a cost-effective solution that is agile, sustainable, and beautiful.