



The Interview

John Spencer is Chief Executive of MWB Business Exchange Plc. He and his team are spearheading the expansion of MWB's serviced offices throughout the UK.

MWB Business Exchange has a particularly interesting background. Founded in 1996 it was de-merged from property group Marylebone Warwick Balfour via an AIM listing in December 2005, having grown to become the second largest serviced office provider in the UK. Since the IPO the company has continued to grow strongly and is now a business operating out of 57 centres, with 15,500 workstations and 250 meeting and conference rooms.

We started our interview by asking John about the de-merger.

Q. In our market we would tend to think of a de-merger in the context of a spin-out done by a university which has some technology that it thinks it can commercialise. But as a result of knowing you, we can see that it can take place in other sectors and for other reasons. What prompted you all to make the decision to de-merge?

A. The reason we wanted to de-merge was to get transparent value for the business. When you are part of a group often the assets of that group are not properly valued. We feel that the de-merger has achieved this objective.

Q. What lessons have you learnt from the de-merger and IPO?

A. The de-merger has enabled us to be seen as a separate entity and it was good for us to go through the process of an IPO, but in many ways the operations of the business have carried on as normal - we did not have to change our business because we gained a quote. Now we are quoted we have had to learn about connecting with our institutional investors and we have the challenge of managing our share price in a public arena, which is interesting, particularly because we are a small cap company quoted on AIM. We have learnt that the trick to managing your share price is to keep delivering on your promises, communicate well and therefore not surprise anyone.

Q. Was it hard to leave your parent?

A. Marylebone Warwick Balfour still owns 68% of us and its CEO is my chairman, so on a day to day basis it is pretty much business as usual!

Q. You were clearly a tight knit management team up to and after the IPO, but you are now supplementing it with new hires. How is that going?

A. We grant share options to all employees who have been with us for more than two years, regardless of their job title, which is a great incentive as it gives so many people a share in the ownership of the business. Management also get bonuses based on performance of the business. We have created a great culture of which financial aspects are only a part. But we still have difficulty finding people who buy into our very dynamic culture. However, when we do find someone who embraces it, the whole team gets a new lease of life.

Q. How quickly do you intend to expand overseas?

A. We don't! There is plenty of growth opportunity for us in the UK.

Q. What was the first really big challenge you overcame at MWB?

A. The biggest challenge I had when I started was to motivate the management. They had not had real leadership in the past and therefore were not self-motivating. Essentially we had a very engaged work force, but the management did not do them credit.

Fairly quickly I decided the only solution was to change the entire management team, except one. With a virtually new team (supplemented by interim managers at first), it was quite quick to turn the business around. It was both liberating and scary to make such a big change, but it was also enormous fun and we still run the business based on the principles and model we established with the new team. This means a great focus on customer service, which is delivered every day by a motivated and supportive team. From day one we established a one team culture with quite a strict matrix - a focus on quality of service which drives revenue. As much autonomy as possible is handed down to operational people, but with a reporting structure into head office that means we can readily understand what is going on day to day. Due to the mixture of culture, process and a flat hierarchy, we do not have conflict and there is no incentive for people to try to build empires. This means that we can deliver consistent, high quality services to our clients.

Q. What lessons would you give to a SME wanting to build business in your sector if they were starting today?

A. You have to have a strong vision of what you want to achieve based on your own brand and values. A "me too" offering is not going to be either attractive or profitable as someone who has specific USPs of their own. In my experience there are two skills necessary to building a business in our sector. Property management and business services skills. This is pretty unique and it is rare to find both skills in the same person. So I suppose that means you need to have a team if you are going to achieve your objectives. Lots of people can do the property side, but there are fewer who have the people skills you need both in terms of managing the internal team and dealing with customers.

Here at MWB, I tend to have the experience in business services, but my colleague comes from an estate agency background and knows everything there is to know about the property markets, especially in London. He can strike a far better property deal than I ever could.

Q. You are expanding at a very rapid rate - what hurdles are you having to overcome?

A. The single biggest problem is getting the right people. We have very strong brand values and a strong client service propositions. If you cannot find the right people who will understand and execute this, inevitably, it will challenge your ability to grow quickly. Historically, we have found it relatively easy to find the properties, but the people side is definitely more difficult.

Q. What is it like dealing with investor relations and the press?

A. Investor relations is great when you hit your forecasts and we have found that the key to managing investors is consistency of message. Investors buy into a proposition and providing they understand what you are doing, they will accept that the business will go up and down - so the trick is to give them no surprises.

In terms of the press, the challenge is getting the message across so they understand the business and the opportunity as we do. The story we want to get out is not always the story they want to write about - so we have to work hard at this.

Q. Are you seeing the effects of the credit crunch in the market?

A. Yes, but it is positive for us. The credit crunch is creating uncertainty for businesses and therefore we benefit because we offer short term flexibility when no one wants to make a long term decision.

So, in practice, the effect of the credit crunch is that lead flow has gone up, as has occupancy.

Q. Based in rural Somerset, we have a small office in converted barns on a farm nearby. It was relatively simple to move in from home, but I have been helped a lot by my landlords who are a fast growing high tech software company. I dread to think what it would have been like if I had tried to rent an office in the local town or city. You will tell me I should have used a serviced office, but why?

A. Why should you use a serviced office? Well I am sure what you really want to do is concentrate on what you do well and on building your business in ways that increase its value. If you move into our offices you can literally walk in, plug in and get on with that. We will sort out everything else - even coffee for meetings - in fact all the things that if you had to do them, would divert you from generating profits and/or moving your business forward.

Q. Are the needs of your big clients different from the needs of your little clients?

A. Good question. Yes. Big clients tend to take less services from us than our smaller clients and they tend to have a different view of the space. For small clients, they tend to look at us as their primary place of work - you could even argue we run a business incubation service. Time and again we see a company arrive as a good idea and a mate and then 4 years later there is a business with 25 staff or, sometimes, there is nothing at all. We become a core part of these small businesses, acting as everything from caretaker to cleaner to cook.

Where there are lots of small companies in our business centres, the atmosphere is very dynamic and they often end up doing business with each other. We help this by providing lots of flow through space - communal kitchens and seating areas and so on. We also arrange breakfasts in the business centres specifically for our existing clients to network.

Larger clients tend to swing in and swing out. Often they use the space to house a team working on a finite specific project. We have found that if we have too many big clients in a building, we do not get the feel we want.

There is a commercial benefit to having a large number of smaller clients. They tend to stay longer than average, perhaps 3-4 years, whereas the larger clients tend to stay less than two years. Also smaller companies tend to grow while they are with us so they take an increasing number of desks over that time. A larger client will stick to a fixed number of desks, and as I mentioned will buy less of our services.

Q. What are the typical mistakes companies make when it comes to the office - is it all about buying too much paper or can it be more serious?

A. It can definitely be more serious. Just from the property angle, smaller companies tend to misjudge the space requirements they will need - either they take too much or too little and then cannot adjust for contraction or expansion. We offer a three month contract and are pretty flexible. The result is that 40% of each month's sales come from clients expanding and a further 40% from customers already in situ renewing what they have already got. This means we can apply lots of management time on how to win the remaining 20% of brand new business.

Q. Please could you tell us a bit about the companies who use your offices?

A. The perfect company for us is a small growing company, because they will stay with us quite a long time and we can offer them so much added value as they grow. We have a pretty broad cross section of businesses - one of the most unusual has been the World Wrestling Federation - they even had a wrestling ring in their office at one stage.

Q. You must see a lot of companies as a result of your services. Can you tell very early on whether they are going to succeed or fail? If so, how?

A. We see some pretty dynamic people amongst our clients - they have an enormous amount of energy and many of them do pretty well, even those with ideas that seem pretty whacky when we first meet them. I believe that it all comes down to the people.

Q. Do you think with all developments in digital convergence the need for formalised office space will shrink?

A. No. We have the concept of home working here in the UK; it has its advantages, but what it does not build is a team. Businesses that succeed tend to have great teams, so they need an environment to house that team - a place to talk to each other, thrash around ideas and even just act as an informal information exchange as things grow and develop.

Q. As you grow bigger to what extent should you devolve not just authority and responsibility but also budgets?

A. Due to the way we have chosen to be structured we tend to keep overall control at head office, but we always devolve more responsibility to the centre managers as the people there learn the skills they need. We will always have a structure where they report into head office, not only so I can keep a handle on it all, but also so that they have someone to come to when necessary.

Q. Can you give us a steer on how to sell value added services to your customers?

A. It's simple, the trick is to give good service and do what you say you are going to do well. If you don't, our customers will not buy it. And if you do something badly, pretty quickly the customers focus on that and get blinded to everything else you are doing well, so you cannot afford to do anything badly.

Q. In your view what do you think are the biggest issues you face as you grow your business?

A. There is only one - finding the right people

Q. What tips would you offer an entrepreneur wanting to sell products or services to your industry?

A. You have got to add value to our clients as well as to us and you must also be able to do what you offer. The trick is to look for what our clients want, not us.

Q. Do you remember the first customer to move into your serviced offices? Who were they and do you know what happened to them?

A. No I do not remember them, but I do remember the first one I met. It was Congitoro - some people in Oxford who wanted to sell Chilean wine. When they came to us in 2001 they were just starting out in a small office to see if there was a market over here. They move out in three weeks time to a dedicated warehouse - that says it all!

Q. Do you work harder now than before you floated?

A. I work harder now because I love doing what I am doing. If you enjoy it you work hard and if you are unhappy you do not work as hard.

Q. What did you learn from your first great boss?

A. Funnily enough I still see him all the time - he taught me to just go for it and be ambitious and not to be scared to fail. From him I have learnt to set targets and go for it, not just the big picture, but also day to day. Even if you don't hit your target you should always look back and praise yourself for what you have learnt and achieved. Often it is more than you thought when you started out.

Q. How do you relax?

A. I spend time with my family, where I am definitely not the boss. Our dogs have more influence than I have, which is fantastic! I can go home and rejoin the real world.

Q. Lastly, what is your best office disaster story?

A. My own biggest disaster story is a bit ironic. Many years before I joined MWB I was working for a company in Northampton. I moved the company completely three times in a month and all because I did not like the accommodation that I got. In retrospect, I suppose it taught me something about the challenges of housing a small business which I was able to bring with me to MWB.