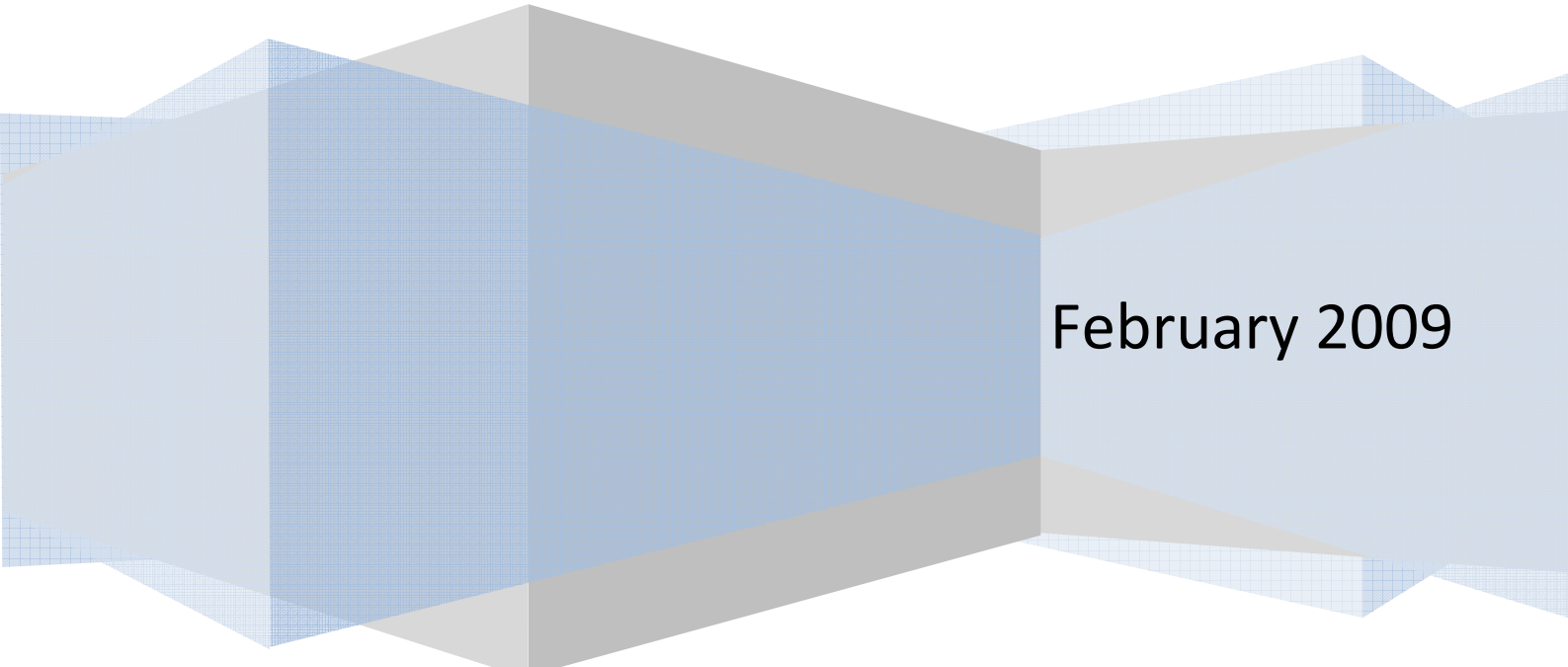Prof. Anil Gupta

The Co-Working space concept

CINE Term project

Anne Leforestier

February 2009

Index

Sommaire

Co-working space concept

Introduction

Launching a business is a tough experience. Most of entrepreneurs start thinking on their own, taking challenges alone. Not everybody is strong enough to accomplish this task until the end of the project, entrepreneurs need networks. It is also financially difficult to support individually the cost of a small company, like facilities, desktops, when a start-up is expected to grow rapidly.

Entrepreneurs are facing a lot of obstacles. To help them to structure their ideas and benefit from a friendly and innovative environment, co-working spaces were created in the US and exist now in many different countries.

Co-working spaces consists in renting a desktop in an open space for a very flexible period. The space is shared by other people coming from very different backgrounds: entrepreneurs, associations, artists, students, researchers… The "co-workers" can interact so that everyone brings his own talent to a project, improving the outcome. The co-working space is based on important values: participation, sharing and open-mindedness.

The purpose of the study is to understand the concept of the co-working space, illustrated with concrete examples. The profile of the participants will be analyzed as well as the services proposed to them. This concept has a lot of advantages but entrepreneurs also have to deal with major disadvantages. The study will try to provide entrepreneurs testimonies and some success stories.

But this business model is it sustainable? Are co-working spaces profitable? Is the model implementable to companies? We will try to answer these questions.

The co-working space concept

Commercial "desk share" spaces have been around for awhile, providing a professional setting for independent contractors to meet clients and get things done. But co-working is a different animal, one that draws inspiration from open source software precepts and the lessons of the dot-com boom and bust. For atomized freelancers sick of Starbucks and longing for human interaction, co-working offers plug-and-play collegiality.

making connections, fostering collaboration, and sharing knowledge. Co-working, Hillman says, is all about "bringing the social back into the workplace."

The co-working space has been inspired by open source software precepts and dot-com boom. The number of one-person businesses rose from *16.5 million in 2000 to 20.4 million in 2005 according to the U.S. Census Bureau*.[1] Typically, independent contractors, freelancers, entrepreneurs and work-at-home professionals were sick to work in isolation and were looking for human interaction. They were seeking an alternative to coffee shops and café buying endless cup of tea to benefit from the free wifi.

Commercial "desk share" spaces already exist since a large time. But co-working space is a different concept. "Co-workers" want to make connections, fostering collaboration and sharing knowledge. Co-working gathers people who work independently but who share values and look for the synergies that a common space shared with talented people can bring.

In co-working spaces, entrepreneurs share one big office and can benefit from a wide range of services depending on their membership: conference rooms, espresso machines or lounge. This concept is perfect for entrepreneurs that don't want to manage their own office and deal with buying furniture's, setting-up Xerox machines and hiring an assistant.

Co-workers can rent a desk that becomes their own reserved space or without assignment to specific desks for a very flexible period of time: from one day to one year. It exists different formulas that we will present later in the report. Most of them provide a drop-in option where people can stop by and work in an unreserved common area for a lower fee or even free. Co-working offers plug-and-play collegiality.

The spaces are very different depending on what you are looking for, you can find industrial loft or site with a more corporate ambiance. Co-working space can take back to the old idea of the shared artists' studio.

The atmosphere of Co-working spaces goes hand-in-hand with the startup lifestyle offering a new spot to build projects and generate connections.

---

[1] DeBare, Ilana (2008-02-19), "Shared work spaces a wave of the future", San Francisco Chronicle

TheOffice at Santa Monica

People operating in co-working spaces describe their way of working as a *"movement".* Even if the spaces are very different in both services and culture, they shared 4 common values: "collaboration, openness, community and sustainability"[2]. The goal of the co-working spaces is to create a sense of community among users. Each organization has its own blog to share ideas and update information. Co-workers are expected to participate in the life of the community by bringing his own talent. The members should share their ideas with each other. Co-workers should not feel competition between each others.

Like Hillman says, is all about "bringing the social back into the workplace."[3]

Co-working spaces could be compared to business incubators: shared work spaces usually managed by local government or non-profit groups aiming at developing new ventures and create local jobs. But this model does not fit into the co-working space model because they often miss the social aspect of the work. Business incubators do not focus on the collaborative and informal aspect of the process. They are also focus on the community and work like a cooperative but have a less independent structure than co-working spaces.

---

[2] Reed, Brad (2007-10-23), "Co-working: the ultimate in teleworking flexibility", Network World
[3] Clark, Jessica (2007-10-01), "Coworkers of the World, Unite!", American Prospect

Audience

The co-working space is essentially dedicated to lonely entrepreneurs seeking socializing opportunities. "According to a 2007 CDW survey of over, 2000 workers showed that 79% of workers employed in the private sector and half of workers employed in the public sector were worried about feeling isolated and missing human interaction if they were to start a telecommuting".[2]

Some entrepreneurs who dare launching their own business can now share their experience thanks to the co-working space. This movement has been enhanced with the freelance culture of Web 2.0, starting building communities. The co-working is an example that the online relationships can translating into face-to-face interactions*: it's social networking in meatspace* [2].

Charles Planck, CEO of Articulated Impact said: "You find that if you are at home too much, you lose your edge in dealing with people".[2] This differs from a café like Starbucks where people generally don't know each other and consumers don't have their own reserved area.

This kind of space is mainly used by freelancers, web programmers, entrepreneurs, every kind of profession that can be done online. Co-workers choose this concept because most of the time they are too creative for corporate environment. The mix between dorm lounge, ad agency style and cybercafé is suited to their way of working.

More dedicated spaces co-working spaces are being created to match with specific demand. For example*, Geff DiMasi launched a space gathering designers, journalists, architects and online developers called Junto inspired by a club for mutual improvement that Benjamin Franklin established to explore questions of "Morals, Politics, or Natural Philosophy."*[3]

In order to have a better understanding of the co-workers expectations *the Wiki of Co-working, realized a survey on 120 co-workers*[4].

Order of importance of features in a space (rating out of 5):

Features	Importance (out of 5)
Atmosphere	4.5
Community Feeling	4.3

---

[4] http://blog.coworking.info/2007/04/21/the-results-of-the-coworking-survey/

Features	Importance (out of 5)
Collaborative Environment	4.1
Location	4.0
Networking Opportunities	3.9
Excellent Coworkers	3.7
Meeting Spaces	3.7
Quiet Spaces	3.4
Security	3.2
24 hr Access	3.1
Event spaces	2.9
Privacy	2.8
Personalized Space (own desk)	2.6

As we can see, the atmosphere and the community spirit are very important elements. The participative aspect and the well being are highly valuated. Users want to benefit from a friendly and collaborative environment to foster their innovation and creativity. The features relative to the individual like personalized space, privacy, security and quiet spaces are less valued than collective aspects pointed out again the needs of sharing and connecting.

Main benefits of the co-working space

Benefits	Percent Total
Community	16.4%
Advice	14.5%
Support	10.9%
Promotion	8.2%
Mentor	5.5%
Coworker	5.5%

Benefits	Percent Total
Other	2.7%

Users' first direct benefit from the co-working space is the fact to join a community. Co-workers value the support of the organization and the advice from their colleagues.

To conclude, the community is the key competitive advantage of co-working spaces where collaboration and participation are clearly expected. This credo can be assimilated to a form of Marxism: everyone helps one another.

Services offered

As already mentioned the co-working space offer the possibility to rent a desk for a flexible period of time and benefit from the different facilities.

Basic services include:

- WIFI connection, power
- IT facilities
- Fax machines, projector, flipcharts, printers, phones, scans, bookbinder
- Whiteboard, paper, furniture
- Conference rooms, lounge, recreation rooms
- library
- Water, coffee and snacks
- Storage capacity
- Insurance

On top of these services, depending on the membership, some spaces offer additional services like on-site networking events and community spaces.

Bureaux Business Clubs at Sidney and Melbourne

CubeSpace, for example, offer services like assistance with marketing, graphic design and web development, even a masseuse propose discounted massages to users.

Additional services can include:

- Virtual companies (address and mail)
- Laptop rental
- Lockers
- Concierge
- Dry clean
- International phone call

Most co-working spaces are designed more like lounge or coffee shops than offices. Generally, paying customers have their own private desks and can use large common area to foster interaction.

Dividers and movable desks also allow to reconfigurate work areas to adopt to growing businesses as well as community events. Those events are planned by members themselves, physically or through online conference (Barcamp).

Examples of working spaces:

Citizen spaces

It is a San Francisco co-working space where you can rent out only 7 private desks. Members can use the library, meeting areas and even a popcorn machine. Citizen Space has been to maximize sociability and idea sharing.

Price: $425 per month for a private desk

Sandbox Suites (San Francisco) offers hot desks, private desks, a comfortable lounge with an espresso service, conference rooms, and a company of like-minded professionals.

Price: memberships ranging from $135 to $495 monthly, depending on whether the renter wants a dedicated desk every day or simply a desk and the use of a conference room a few times a week.

Affinity Lab guarantees a desk and also two DSL pipes, various reference books, a kitchen and conference room for common use, a color copier and printer and 24-hour access to facility.

Price: $895 per month

Independent Hall (Philadelphia)

The space provides you a full-time desk, wireless Internet connection, equipment storage space and a conference room.

Price: $275 monthly membership

The price is highly sensitive to the location of the co-working space. A desk will be more expensive in New-York than in Philadelphia for example. A private desk as well is much more expensive than an excess to common area, the Hat Factory (San Francisco) for example provides shared open tables layout for $200 per month.

Networks

As we could see previously, the community is the main reason why entrepreneurs join a co-working space. This community trend has been expanded thanks to "community sites" like **MySpace**, **del.icio.us**, **Flickr**, **YouTube**. The center of these sites' business plans is the social network where you can share information, video, photos with people having the same hobbies and interests. The members can add content to the site bringing updates on different topics. These sites have no borders, creating a real melting pot, anyone can participate to discussions wherever he is, or upload videos and pictures.

These sites have a really extended community with powerful connections very useful for users and essentially for entrepreneurs. LinkedIn for example, is a professional network of more than 14 millions of members in 150 industries, that can greatly hasten the information of "weak ties", term

used by the sociologist Mark Granovetter to define "peripheral social relationships that can bolster an individual's prospects and wellbeing."[5]

The blogs as well, are inseparable from the co-working space community. The new generation uses daily web and blogs as diaries that help creators to express ideas and receive comments. Blogs can also help the promotion of a project. For example, at Citizen Space, Kurt Smith, who works for a Dutch firm, Culgi, that makes software for computational chemistry, took a desk two months ago. His company is delighted that he has found a place to tap into the entrepreneurial mentality of Silicon Valley. "Everybody's got a blog," he said. "Everybody's on **Twitter**. I've never been on the cutting edge."[6] Thanks to the exchange of information, entrepreneurs are aware of the last technological moves. (Twitter is a social networking and micro-blogging service that allows its users to send and read other users' updates.)

Each co-working space has its own **wiki** which are "editable Web pages that allow for easy collaboration and updating by multiple users."[7] These Wiki provide all kind of information relative to the space: conference rooms booking, events schedule, discussions… Thus, co-workers are informed in real time of what is happening. Wiki also allow all co-working spaces over the world, to keep in touch, share best practices and organized cross-events. There is also a project of creating an international network of co-workers named "Coworkers united" to share experiences.

Anyway, tools to organize worldwide conferences already exist. **BarCamps** have been created in 2007, "they are users generated conferences, organized around a shared interests, using guidelines and tools from the BarCamp wiki"[7]. Barcamps offer an alternative to expensive professional conferences or workshop. They can be physical conferences, in co-working spaces for example, or via internet using online tools. The movement has spread worldwide and now we can find BarCamps between Milwaukee and Mumbai, Palo Alto and Paris with topics ranging from the economics of gift cards to the technical issue of digital image processing to eTourism.

[5] Clark, Jessica (2007-10-01), "Coworkers of the World, Unite!", American Prospect
[6] Fost, Dan (2008-02-20), "Inspiration Strikes Only a Desk Away", New York Times
[7] Clark, Jessica (2007-10-01), "Coworkers of the World, Unite!", American Prospect

As already mentioned, co-working spaces has been developed by early adopters of open source ideals and social networking tools. Co-workers are fervent users of low-cost or free online tools widely available on internet like **Google groups** who offer many applications for free: agenda, email account, documents, surveys…

We can expect that many other online tools will be developed not only to connect people but also to help daily work. Small businesses cannot afford to buy the expensive licenses of software. One of the principles of the web user: the more you received from the web the more you will give back later. So, this ends with a virtuous circle.

SWOT analysis

The co-working space offers a wide range of service which can help entrepreneurs. But the concept also include some inconvenient to deal with. The SWOT analysis will allow not only to identify the strengths of the concept and the opportunities to grab but also discover the weaknesses and the threats that could slow down its development.

Strengths

- Office desk savings, rent a desk is less expensive that running his own office
- Flexible: it is a variable cost. Desks can be rented for 1 day, or several months
- Wide range of services: co-working spaces offer all the services that an employee can expect from his company to work in good conditions, even more. Co-workers don't have to worry about supplies
- Perfect socializing experience to avoid lonely and unproductive work at home
- Interactions and collaboration with the other co-workers: you benefit from the community
- Possibility to attend networking events, conference, demonstrations…
- Participation to a community, feelings of being important and receiving support
- Friendly innovative environment: designs, lounge, events, all elements are present to foster innovation
- Co-workers: talented people coming from different backgrounds, ready to help each others, providing advices and support

Opportunities:

- Extension of the proposed services: secretary, designs, promotion…
- Co-working dedicated to specific sectors to adapt the space to specific requirements. Example: studios for designers with adequate tools
- Firstly developed in US but the concept has been exported to different countries in Europe and worldwide
- Creation of a worldwide community of co-workers to share more ideas and interacts with people of different countries. A network named "Coworkers united" is under construction and should gather all co-working spaces
- The concept could be implemented into companies who want to offer more friendly environment to their innovators to gain in efficiency

The Hat Factory at San Francisco

Weaknesses

- Lake of privacy: possibility to hear co-workers communication or get an idea of a site that hasn't launched yet
- Intellectual property: some discussions can be public to get involved other minds. Some entrepreneurs protect their innovation by making sign Non Disclosure Agreements. But this practice is prohibited by Citizen Space for example.
- Negotiate the public/private boundaries: the more you exposed your project the more feedbacks you received but the more vulnerable is your project as well

- Lake of collaboration: some of the co-workers could prefer to work individually, not sharing the value of the co-working space. It is difficult for everyone to feel empowered, supportive and take initiatives

- Adequacy of the space: sometimes the configuration of the space does not fit with the co-workers expectations. Depending on the nature of the business, entrepreneurs need specific tools (drawing board for designers for example). Most of the co-working spaces are dedicated to web entrepreneurs implying the unique use of a laptop

- Lack of frequentation: because it is not "their office" the impetus to go to work is lowered. Nevertheless, if the critical mass is not reached, the advantages of a collaborative space is lost

Threats

- Hacking problems: co-workers are quite sensitive about security and confidentiality. Co-working spaces can be vulnerable to hacking given the audience of the space: most of the time web experts. Co-workers are afraid of someone sealing their ideas. Some space have developed password secured wireless cable modem but hackers are stronger and stronger. We can nuance saying that start-up are far less interesting for hackers than important companies

- The co-working spaces could suffer the competition from cafés that offer free wifi for the purchase of a coffee. It is cheaper than co-working depending on the consumption. Cafes could adapt to this new trend by diversifying their services

- Development of the 3G technology: 3G wifi access all over the world is possible now for a fix rate per month. It allows to work in many different place for a good price

- Start-up and ventures have been hardly impacted by the financial crisis. The credit crunch has slowdown the creation of start-up and discouraged some entrepreneurs. This trend can reduce the number of the potential audience

To conclude, the co-working spaces have a lot of advantages to learn from others and share his experience. However, being in contact with others and not have a real "own" office implies to be able to live in community. The co-working space has a good potential of growth because there is a real demand. But, first of all, that is a choice made by the entrepreneurs to follow this way of working.

Entrepreneurs testimonies

In order to obtain a clear opinion of entrepreneurs about the co-working spaces, this part is dedicated to testimonies from co-workers and founders of co-working spaces taken from articles and websites. This section shows why they followed this movement and the advantages and inconvenient of the co-working space concept:

"We're a community space first, and that means the people who work here come first, and the companies they work for come second," says Alex Hillman, one of the co-founders of Independents Hall.[8]

Jeremy Pepper, a technology publicist who rents a desk at Sandbox Suites, said he often lends expertise in social media to a woman who works for a large corporation and rents a desk nearby. He'll also tap others for their insights into, say, engineering.[9]

"We went through a spurt of roaming around people's apartments, but the ergonomics aren't there so it starts to hurt after a while," said Anthony Young, 31, one of the Web entrepreneurs working upstairs from Powell at Sandbox Suites. "Having a consistent, reliable place to go work is good for keeping your head straight."[10]

"I remember some great conversations, brainstorming sessions, and lunches as we all got to know each other and zinged ideas off one another," he said. "I even led some yoga classes in the space for awhile." Brad Neuberg, a 31-year-old San Francisco inventor and open-source software developer who coined the term "co-working."[10]

"We've had some interesting open meetings," said Tara Hunt, co-founder of Citizen Space. "One tenant wrote a plan on the whiteboard for something that included mock-ups. Some drop-ins came in and edited it like a wiki (a collaborative Web site), with a bunch of really cool suggestions. He said, 'Omigod, I didn't think of that.' "[10]

Co-working participants say privacy hasn't turned out to be a problem.

"If it's really sensitive, I can take my phone and go into a conference room," said Greg Burton, 57, an online marketing consultant who works out of Sandbox Suites.[10]

---

[8] Reed, Brad (2007-10-23), "Co-working: the ultimate in teleworking flexibility", Network World
[9] Fost, Dan (2008-02-20), "Inspiration Strikes Only a Desk Away", New York Times
[10] DeBare, Ilana (2008-02-19), "Shared work spaces a wave of the future", San Francisco Chronicle

"The amount of productivity that would be lost in roaming from coffee shop to coffee shop is greater than any potential competitive losses here," said Andrews, 29. [10]

Is it a profitable business?

To start, what kind of business is it? Commercial real estate, non-profit business? We can find both structures, some co-working spaces are non-profit companies aiming at boosting innovation.

Let's assume that this business must generate profits to pay the entrepreneurs who run the company. Once achieved, the co-working space does not have a lot of costs to cover: furniture, refurbishment, maintenance of the IT, drinks, cleaning and one of the most important costs: power. Co-working spaces don't employ a lot of workers, founders are used to assuming the whole job, or outsource services like cleaning and maintenance.

But, is the demand important enough to cover the costs? This movement is recent and co-working spaces don't have a large track record, so it is difficult to evaluate the profitability of this business. However, desks seem to be occupied since a very important number of co-working spaces are opening in US and the movement has been spread to Europe. With the important growth of the e-business, this concept have a great potential of expansion. It started with web developers but it is attracting new kind of profession like artists, journalists, students association…

In order to have a clear idea of the profitability of the business, we can take the example of the Beta House in San Francisco: this co-working space charges from $200 to $400 per desk per month depending on how much time the co-worker spends in the space. Pierce, the founder, explains that running the office cost roughly from $3000 to $3500 per month. With 12 co-workers out of the space the $200-$400 is an optimal range.[11]

To know if a business is profitable there is also a simple formula:

Break even model

(Cost of space x 1.5 = total cost of space) / (number of square feet / 100 = number of desks) = Cost per desk

---

[11] www.betahouse.org

Profitable model

(Cost of space x 3 = cost of space and then some) / (number of square feet / 100 = number of desks) = Cost per desk

We can compare this cost with the use of a café offering free wifi:

You buy one coffee at $3 every 2 hours, you stay 6 hours per day, you spend at least $9 per day which represents roughly $225 per month plus all the extra muffins and other delicious cake you easily reach $300 per month whereas with $200 you can rent a desk at the Beta House for a month.

Even for café owners, this concept is not that advantageous. "Here at CTTP, we need to bring in on average $100 PER HOUR simply to cover our costs," co-owner Karin Tamerius wrote. "That means, if all of our customers were people who stayed for three hours and spent $1.50 for coffee, we would require 200 people in our shop every hour we were open, 7 days a week, just to stay in business."[12]

Conclusion

The co-working spaces have a few track record, it has been created in 2005 and has really been spread in 2007. Dozens of spaces are opening all over the world. This concept was launched by entrepreneurs for entrepreneurs essentially. They were looking for socialization and interactions. They understood the importance of sharing experience, networks and skills to improve projects. Co-workers develop strong connections between them and act like a community with rules and values: collaboration, openness, community and sustainability.

Thus people are sharing more than talents, they agree on a way of working. It can be compared to a team within a company adopting corporate values and working process. The difference is that entrepreneurs are building their own projects, they receive support and advices to help them morally and technically.

Moreover, to facilitate exchanges, co-working spaces are designed to be environmentally friendly, offering common area to push collaboration and many facilities. Spaces also organized events, conferences, debates and exhibitions on innovation so that co-workers can improve their networks and benefit from the last insights on industries or technologies.

---

[12] Fost, Dan (2007-03-11), "WHERE NEO-NOMADS' IDEAS PERCOLATE: New 'bedouins' transform a laptop, cell phone and coffeehouse into their office", San Francisco Chronicle

However this collaborative culture is not priceless. Entrepreneurs have to accept to open their projects to external people and may lose confidentiality and competitive advantage. It is the own responsibility of the entrepreneur to balance the recommendations he is expected to receive with the number of outsiders exposed to the projects.

The web culture is definitely a key success factor of the co-working spaces. The development of famous website has spread the access to information and exchanges. Virtual networks are widely used by co-workers as well as free internet applications.

Co-working spaces have been created because there is a real demand for it all over the world. Many lonely entrepreneurs are willing to join participative spaces since experience is valuable only if it is shared. Founders of co-working spaces offer cheap desks, the business could be profitable but it is not a cash machine, the welfare of the entrepreneur come before making money.

Soon an international network will be put in place to facilitate international communication and use of best practices.

Given the success of the co-working spaces, may be companies should develop the kind of spaces to foster innovation. By offering friendly environment dedicated to creativity, employees could develop more ideas. The collaboration will be increased rather than typical inefficient team work of 1 or 2 hours in meeting rooms between two assignments.

Bibliography

Butler, Kiera (2008-01-01), "Works Well With Others", Mother Jones, http://www.motherjones.com/commentary/columns/2008/01/works-well-with-others.html

DeBare, Ilana (2008-02-19), "Shared work spaces a wave of the future", San Francisco Chronicle, http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/02/19/MN7CV2JFE.DTL

Miller, Kerry (2007-02-26), "Where the Coffee Shop Meets the Cubicle", Business Week, http://www.businessweek.com/smallbiz/content/feb2007/sb20070226_761145.htm

Farby, Julie (2007-03-13), "The Hive Hopes To Revolutionize Traditional Office Space By Creating Coworking Space", All Headline News, http://www.allheadlinenews.com/articles/7006731137

Fost, Dan (2007-03-11), "WHERE NEO-NOMADS' IDEAS PERCOLATE: New 'bedouins' transform a laptop, cell phone and coffeehouse into their office", San Francisco Chronicle, http://www.sfgate.com/cgi-bin/article.cgi?file=/c/a/2007/03/11/MNGKKOCBA645.DTL

Williamson, Kate (2007-10-02), "Shared offices growing in S.F., Peninsula", San Francisco Examiner, http://www.examiner.com/a-968158~Shared_offices_growing_in_S_F___Peninsula.html

Reed, Brad (2007-10-23), "Co-working: the ultimate in teleworking flexibility", Network World, http://www.networkworld.com/news/2007/102307-coworking.html

Fost, Dan (2008-02-20), "Inspiration Strikes Only a Desk Away", New York Times, http://www.nytimes.com/2008/02/20/business/businessspecial2/20ideas.html?ref=businessspecial2

Fost, Dan (2008-02-20), "They're Working on Their Own, Just Side by Side", New York Times, http://www.nytimes.com/2008/02/20/business/businessspecial2/20cowork.html?_r=1&ex=1361250000&en=dbd589ebb73df147&ei=5090&partner=rssuserland&emc=rss&oref=slogin

Clark, Jessica (2007-10-01), "Coworkers of the World, Unite!", American Prospect, http://www.prospect.org/cs/articles?article=coworkers_of_the_world_unite

Horowitz, Etan (2007-09-27), "Co-working can solve non-traditional office issues", Orlando Sentinel, http://www.orlandosentinel.com/business/orl-cowork2707sep27,0,4868019.story?coll=orl_tab03_layout

Wikipedia, Coworking: http://en.wikipedia.org/wiki/Coworking

www.citizenspace.us

www.indyhall.org

www.sandboxsuites.com

www.affinitylab.com

www.lacantine.org

www.hatfactory.net