

Key Success Factors for Co-Working Space Business Model

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Key Success Factors for Co-Working Space Business Model

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Abstract. Co-working spaces have gained popularity in recent years as a flexible and cost-effective solution for freelancers, startups, and small businesses looking for a collaborative work environment. This article examines the key success factors for a co-working space business model, drawing on insights from industry experts and research studies. By identifying these critical factors, co-working space operators can optimize their business model and enhance their chances of success in a competitive market. The development of the use of co-working space is now increasingly promising. Many of the startup companies and freelancers who use co-working space as a place for daily activities to work. Co-working space also helps to differentiate work and daily activities from these workers. However, the business model of co-working space is relatively vulnerable. This study aims to evaluate the factors that can increase the success of the co-working space business model, considering the importance of co-working space as the development of creativity. This study involved 116 users from two businesses that achieved success in managing the co-working space. Data was collected using a questionnaire survey and structurally analyzed using SmartPLS. The results of the study identified that shared workspace management and supporting co-working space operations played an important role in determining the success of this business model. Membership management has no significant effect. Therefore, the management of co-working space can be focused on these two elements

Keywords: Co-working, Co-working Space, Key Success Factors, Structural Analysis

1. INTRODUCTION

The co-working space industry has experienced significant growth in the past decade, driven by the rise of the gig economy, remote work trends, and the increasing demand for flexible office solutions. As more professionals seek out shared workspaces for their unique benefits, such as networking opportunities, access to resources, and a sense of community, co-working space operators must understand the key success factors that contribute to a thriving business model.

Co-working space is a shared workspace used by creative economic players, startup companies and freelancers to carry out daily work activities, build networks or collaborate among fellow co-working space users, where the host provides various programs and/or facilities to support the work of users (Gandini, 2015; Spinuzzi, 2012). The shared workspace and its facilities are used in sharing among co-workers with the rental system within a certain time. The presence of co-working space makes creative space used to accommodate and inspire the emergence of a sense of creativity for its users (Isaac & Aurelie, 2016). A sense of creativity is an important source in the development of creative industries (Okpara, 2007; To & Rowe, 2008). This sense of creativity links the realization of the activity of the creation-production-distribution and marketing process of the existing creative economic potential (The Canadian

Policy Research Group, 2013). So, co-working space must be designed to form a comprehensive, conducive, participatory and inclusive climate in a creative economic environment (Putri & Ariyanti, 2016). The creative economy sector experienced growth both at the national and provincial levels, particularly in North Sumatra and became a very promising potential in the next era (Badan Ekonomi Kreatif, 2018). The creative economy is classified into sixteen sub-sectors, including architecture; interior design; visual communication design; product design; film, animation and video; photography; craft; culinary; music; fashion; application and game developer; publishing; advertising; television and radio; performing arts; and fine arts. The use of co-working space in business development in the sector boosts creative economic growth.

Behind the important role of co-working space in developing a creative economy, the use of co-working space in North Sumatra itself is still not optimal among creative economy players. The players tend to prefer to have an office in the Founder's house or one of the members that is considered adequate. In fact, co-working space was established by the government and the private sector to encourage the creative climate of its users. Creativity arises from joint interaction and a conducive work environment. The public still has not accepted the existing opinion and thinks co-working space as a waste of company resources. Many of the co-working space businesses choose to go out of this business consider the attractiveness of the market using this place is relatively small and have an impact on revenue decline. Determining the sustainability of enterprises is important to create competitive advantage and create a better management strategy (Kasych, Vochozka, & Yakovenko, 2019).

Seo & Ock (2016) states that the success of co-working space is related to three elements, namely co-working management, membership management, and supporting management. Good co-working space must be able to provide facilities that build community and communication between its users. Membership management is concerned with how a co-working space builds marketing, relationships, partnerships with its users. Support management is related to how the environment and functional co-working space is in assisting to its users

Starting from research around the successful management of the co-working space business, the key to this success lies in how management can provide satisfaction to users. In these efforts, businesses must be able to provide services that encourage satisfaction. Consumers must be able to perceive that the use of co-working space will be more profitable than the sacrifice that must be done. If this condition is achieved, the re-use of co-working space will be achieved and will encourage the success of the business.

This study aims to evaluate the effect of implementing co-work management, membership management, and supporting management in driving the success of the co-working space business. The results of this study are expected to encourage in achieving better management and for business people, especially creative economy entrepreneurs can think that this place is beneficial. In the end, this will encourage even better economic achievement.

2. REVIEW OF LITERATURE

Co-working Space is a place used by people from various backgrounds to share workspace, facilities, meeting places, socializing and collaborating (Phan, 2016). Co-working space is designed in such a way and is different from the design of the office in general. The aim is to increase creativity and enthusiasm in collaboration. If the office is generally only occupied by one or a group of companies, then the co-working space is occupied by individuals and more than one type of business, usually still a startup business.

Co-working space as a humanist and dynamic work environment has core values, namely community, accessibility, collaboration, communication, openness, and creativity (Stumpf, 2013). Co-working space provides the benefits, work, and performance of co-workers. By using co-working space, co-workers get benefits in the form of job satisfaction, social support at work, and a sense of community belonging (McGrath, 2018). In terms of performance improvement, the use of this place can encourage productivity, collaboration, and creativity, as well as new business opportunities.

Tjhoa (2017) added that having an office in co-working space provides many benefits, both material and non-material, including:

a. Save operational costs

Using co-working space can reduce expenses for rent, electricity, internet, to small kinds of stuff such as water, coffee, and snacks.

b. Providing inspiration and motivation

Working alone at home can feel lonely. Working around people with similar thoughts can provide more inspiration and motivation.

c. Have the opportunity to build connections and collaborations

In co-working space, there is an opportunity to build connections and collaborations with other co-workers. They can be partners to discuss and exchange ideas. Some co-working spaces have certain themes, such as international business or technology, which make it possible to build connections with other co-workers from the same industry. Moreover, a rental package that also offers training or workshops, can make it easier to build

connections with other business people while increasing skills in the atmosphere of the room.

d. Flexibility

In co-working space can work however and whenever desired. Plus, almost all co-working spaces offer monthly contracts, so they are not tied to long-term leases. Co-workers can leave co-working space and move to a permanent office when it's time.

e. Separation of work life from personal life

When working at home, work is often mixed with personal life. By working in co-working space, personal life and work-life separately so that it can have a positive impact on self-confidence and productivity.

Co-working space began to develop in 2005 and within 14 years has developed into a management innovation (Merkel, 2015). Co-working space was originally formed as a work environment with the concept of a community-based environment that became a workplace for exchanging inspiration for its users. Co-working space research is still very rare, especially in the quantitative approach aspects so that it requires further evaluation to assess the influence between variables that support the co-working space phenomenon. To achieve co-working space success, good management is needed (Purba, Lumbanraja, Siahaan, & Gultom, 2017). Governance management is needed to ensure that all performance in the organization runs well (Purba, Lumbanraja, Siahaan, & Gultom, 2018).

Leforestier (2009) in his research identified important elements in the success of the co-working space business, namely community, opinions, support, promotion, mentors, and joint colleagues. Kojo (2014) identified that service quality factors play a more important role in building user experience, such as a sense of welcome in co-working space, informality of inspiration, and convenience of use. Seo et al. (2017) provide an opinion that this important aspect can be grouped into three elements of co-working space, including **co-working management, membership management, and supporting management**. These three important elements will be evaluated to answer the objectives of this research. The operationalization of this element is summarized in Table 1.

Table 1. Operationalizing Variables

Co-working Elements	Dimension	Operationalization
Co-working Management	Relationship facilitation	Activities that encourage collaboration between users
	Network facilitation	Activities that encourage interaction to form information and network exchanges between users
	Community	Activities of using communication systems that support joint work activities
Membership Management	Membership and pricing services	Development of management strategies in providing services to meet user needs
	Promotion and Public relation	Activities that encourage product promotion and user work at seminar activities in co-working space
	Alliance and Partnership	Facilities that encourage the creation of partnerships between users
Supporting Management	Interior	Development of interior design that supports work efficiency in co-working space
	Equipment	Activities in maintaining equipment needs co-working space in operational activities
	Mentoring and Education	Program for improving the ability of users

This research formulates three hypotheses concerning to the existing literature concepts, namely:

H₁: Co-work management has a positive and significant effect on achieving successful co-working space

H₂: Membership management has a positive and significant effect on achieving successful co-working space

H₃: Management supporting operations has a positive and significant effect on achieving successful co-working space

3. RESEARCH METHODS

This research was conducted in January 2019 until August 2019 located in two co-working spaces in Medan, namely CoHive at Clapham and BetaHive Co-working Space. Both co-working spaces are managed by the private sector and are the best co-working space in North Sumatra with the largest number of users (co-workers). In contrast to government management, both locations are profit-oriented when managed by the private sector. The two co-working spaces have been operationally active for the past three years.

Data collection was carried out using a research questionnaire and structured interviews. The research questionnaire was arranged based on a structured study and adjusted to the situation in the two co-working spaces. This questionnaire has passed the stages of validity and reliability performed on 30 co-worker users. The results of the validity and reliability test indicate the questionnaire has met the validity and reliability criteria.

Users of co-working space as of January 2019 in the two co-working space providers are 116 co-workers with details of 61 co-workers in CoHive at Clapham and 55 co-workers in BetaHive Co-working Space. All populations in this study were sampled by the saturated

sample method. All co-workers in the two locations were asked to participate in this study. The sample participation rate in this study was 100% which means that all co-worker participants were willing to participate.

This study uses structural modeling methods in evaluating research data. Structural modeling analysis will provide deeper information related to the influence between research variables. Data analysis was assisted by using the SmartPLS application (Ringle, C. M., Wende, S., and Becker, 2015). SmartPLS does not require a large sample in its structural analysis so it fits with this study (Hair, Hult, Ringle, & Sarstedt, 2014).

4. RESULTS

The structural model used in this study is summarized in Figure 1 as follows:

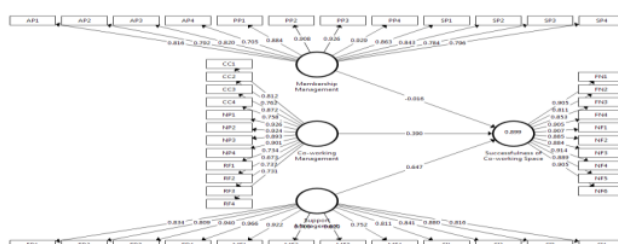


Figure 1. Structural Research Model

The structural model in Figure 1 is used as the basis for evaluating the model. Evaluation of the model is done in two stages, namely at the level of the measurement model (also known as outer model) which will provide validity and reliability of the model, as well as an evaluation model (as inner model) which gives influence between variables. If the measurement model does not meet the validity and reliability criteria of the model, the model will be adjusted until all the criteria are met. There are model adjustments that will be explained later in this study.

Evaluation of the outer model begins with evaluating whether the indicators on each variable have been precisely measured from each variable. The results of the outer model evaluation are summarized in Table 2.

Table 2. Research Outer Model Analysis

	Co-working Management	Membership Management	Support Management	Successfulness of Co-working Space
RF1	0.734			
RF2	0.673			
RF3	0.737			
RF4	0.731			
CC1	0.812			
CC2	0.762			
CC3	0.872			
CC4	0.758			
NP1	0.926			
NP2	0.924			
NP3	0.893			
NP4	0.901			
AP1		0.816		
AP2		0.792		
AP3		0.820		
AP4		0.705		
PP1		0.884		
PP2		0.908		
PP3		0.926		
PP4		0.929		
SP1		0.863		
SP2		0.843		
SP3		0.784		
SP4		0.796		
FD1			0.834	
FD2			0.809	
FD3			0.940	
FD4			0.966	
ME1			0.922	
ME2			0.700	
ME3			0.820	
ME4			0.752	
SI1			0.811	
SI2			0.841	
SI3			0.880	
SI4			0.816	
FN1				0.905
FN2				0.811
FN3				0.853
FN4				0.905
NF1				0.907
NF2				0.885
NF3				0.884
NF4				0.914
NF5				0.889
NF6				0.905
AVE	0.664	0.708	0.712	0.786
Composite Reliability	0.959	0.967	0.970	0.963

Table 2 indicates that all indicators have properly measured each variable with a load value > 0.6. Indicators that have not precisely measured variables are excluded from research such as the dimensions of sustainability and intention to pay. Besides, the AVE value is entirely above 0.5 and the composite reliability value is above 0.7. These results indicate that the model meets the criteria of validity and reliability. Thus, the analysis can be done by evaluating the inner model. The results of the inner model evaluation are summarized in Figure 2.

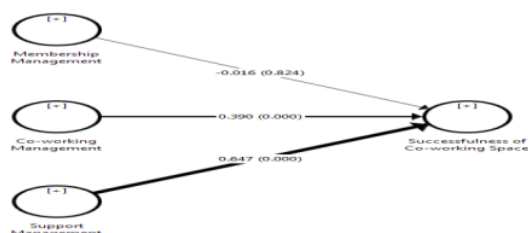


Figure 2. Inner Model Path Analysis

The structural model of this study was able to evaluate 89.9% of the conditions on the success factor of co-working space (r-square = 0.899). Hypothesis testing of the study was carried out with the bootstrapping method which gave the structural regression results from the proposed model. The research hypothesis testing is summarized in Table 3.

Table 3. Hypothesis Testing

No	Hipotesis	Original Sample (O)	T Statistics (IO/STDEVI)	P Values	Conclusion
H ₁	Co-work management has a positive and significant effect on achieving successful co-working space	0.390	7.006	0.000	Accepted
H ₂	Membership management has a positive and significant effect on achieving successful co-working space	-0.016	0.210	0.834	Rejected
H ₃	Management supporting operations has a positive and significant effect on achieving successful co-working space	0.647	6.540	0.000	Accepted

Table 3 provides information that co-work management has a positive and significant effect on the achievement of co-working space success with a path coefficient of 0.390 (p-value <0.05). Thus the first hypothesis of this study was accepted. There is sufficient statistical evidence to state that joint work management has a positive effect on the success of co-working space.

The second hypothesis is related to the application of membership management in co-working space. This study shows that the effect of membership management on co-working space is not significant (p-value = 0.834). Thus there is not enough statistical evidence to state that membership management influences the success of co-working space. The second hypothesis is rejected.

The third hypothesis of this study relates to the management of supporting operations on the success of co-working space. The results of this study indicate that there is a positive influence between management support operations on the success of co-working space (p-value <0.05). Thus, there is sufficient statistical evidence that management support operations have

a positive effect on the success of co-working space. The third hypothesis of the study was accepted.

5. DISCUSSIONS

Co-work management ¹³ plays an important role in supporting the success of co-working space. The better the management is applied, the greater the indicators of success achievement from the co-working space. Glaveski (2014) shows that community and events are operational elements that influence the success of co-working space, both of which are part of co-work management. Arora, Nilawar, & Bhargava (2017) state that the community is one of the determining factors for the success of co-working space, which factor is a dimension of co-work management. Carpenter (2018) argues that the network is one of the essential elements that determine the success of co-working space, which element is a dimension of co-work management. In addition, Miroslavov (2018) argues that the community is one of the pillars that determines the success of co-working space, which is a dimension of co-work management.

Membership management does not significantly influence the successful management of the co-working space business. In this case, membership ⁹ is not considered an important element for the users of the co-working space. In terms of the proportion of values, the users who have been sampled in this study have seen that the co-working space they use is in following their needs. Participation in co-working space also helps network development and provides better infrastructure for the work environment. Users remain interested in co-working space regardless of the membership provided by ¹⁴ co-working space.

Management support operations co-working space influential and has an important role in the success of co-working space. Suarez (2014) states that the room and facilities owned by co-working space affect its operational success, both of which are dimensions of supporting management. Glaveski (2014) states that interior design and education are dimensions of supporting management which are operational elements influencing the success of co-working space. McGrath (2018) argues that space, facilities, and equipment are key features that influence the success of a co-working space, both of which are dimensions of supporting management. Besides, Carpenter (2018) argues that the room is one of the essential elements that determine the success of co-working space, which element is a dimension of supporting management.

6. CONCLUSION

The achievement of the successful co-working space can be optimized by making continuous improvement or kaizen on the factors that lead to success. The supporting factors for the successful co-working space are relationship facilitation, networking event and party, community and communication, space and interior, facilities and devices, solution, mentoring and education. These factors are significant to be considered and developed to support the success of co-working space. These efforts will be treated as key success factor in managing co-working space business.

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