



## Harnessing the Potential of Coworking

Coworking evolved when the home office proved to be an insufficient space for freelancers seeking collaboration with like-minded, independent people. Coworking spaces provide a productive, creative, and satisfying work atmosphere, not just for freelancers, but also for corporate organizations. Fraunhofer IAO, one of Haworth's many research partners around the world, conducts research around new ways of working. We have summarized their findings, which reveal that coworking has great potential to fundamentally change knowledge work and catalyze innovation in the future.



Coworking evolved when the home office proved to be insufficient for freelancers, who require a productive, creative, and satisfying work atmosphere. In a study about new ways of working, Fraunhofer IAO, in Stuttgart, Germany, learned that coworking has great potential to change the world of knowledge work.

Coworking is not just for freelancers and start-ups. More and more corporations have already started to realize that coworking offers great potential for fostering innovation. But, where are the roots of this potential? How can they be transferred to different types of businesses?

Haworth summarizes the findings of the Fraunhofer IAO study, *[The Fascination of Coworking – Potentials for Companies and Their Employees](#)*, and provides answers to some of these questions about coworking. Fraunhofer IAO plans to continue its research within this fascinating sphere of coworking, and has already developed solutions for several businesses that want to harness the potential of coworking.

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A paradox has emerged in the past ten to fifteen years. Coworking spaces seem to promote growth, performance, and creativity that are unparalleled when compared with most corporate settings. Fraunhofer IAO responded to this paradox. Through extensive research as part of the group project Office 21®, Fraunhofer IAO gathered data through semi-standardized interviews with operators of coworking spaces, with coworkers (people who work in coworking spaces), and with representatives of companies that were experimenting with and benefiting from coworking. Fraunhofer IAO recommends solutions that take advantage of coworking interfaces between the corporate world and the evolved forms of free work. Here, Haworth provides an abridged version of their findings published in *The Fascination of Coworking – Potentials for Companies and their Employees* (Fraunhofer IAO 2014), which covers:

1. How coworking came to be
2. The fundamental characteristics of coworking
3. How corporations can benefit from this new form of collaboration

**Collaboration: The Power of Coworking**

**Prime Conditions for the Birth of Coworking**

The global village once predicted by Marshall McLuhan<sup>1</sup> in the 1960s is here. Thirty years of information and communication technology fundamentally changed the way we live, work, and innovate—and it continues to change at an exponential rate. To meet this global challenge, companies need the right talent at the right time in the required quantity, quality, and composition—a task that can paralyze today’s “lean” companies due to the constraints of traditional office systems. With their infrastructure, supportive information technology, and established culture, traditional office systems—while perhaps effective at supporting business outcomes such as continuous improvement—can stifle creativity and innovation. Additionally, many knowledge workers were left adrift from outsourcing and offshoring IT service trends in the 1990s.<sup>2</sup>

These conditions created a wide range of freelancers and corresponding work uncertainties:

- No formal or stable boundaries in terms of employment contracts, working hours, or workplaces
- Declining importance of traditions to justify social practices
- Greater subjectivity in the work; at the same time, the work requires greater subjectivity from individuals<sup>3</sup>

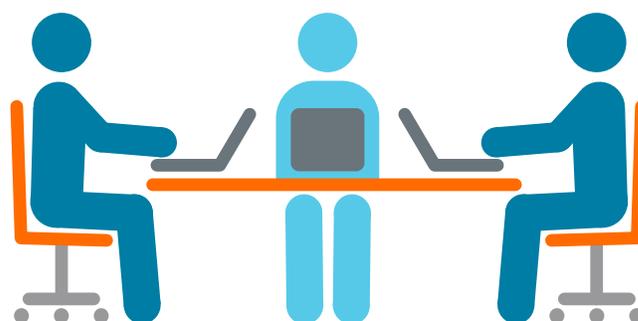
Thus, project-oriented, time-limited contracts for work and services surpassed working within a traditional office system. The workplace, for some, as a furnished, thoroughly organized place of work had been replaced by home offices and Wi-Fi cafés. However, working remotely limited crucial networking opportunities for knowledge exchange. It was time for something new.



**Growth of Coworking**

That “something new” happened in 1995 when C-Base opened in Berlin as one of the first hacker spaces worldwide.<sup>4</sup> Although the term “coworking” did not exist at that time, C-Base was considered a “pre-stage” for coworking spaces. It embodied three key coworking features:

- A collection of like-minded people with similar interests and values
- Emphasis on community
- Space available for coworking and events



1 McLuhan, M., 1962 and 1964.

2 Boes et al., 2004.

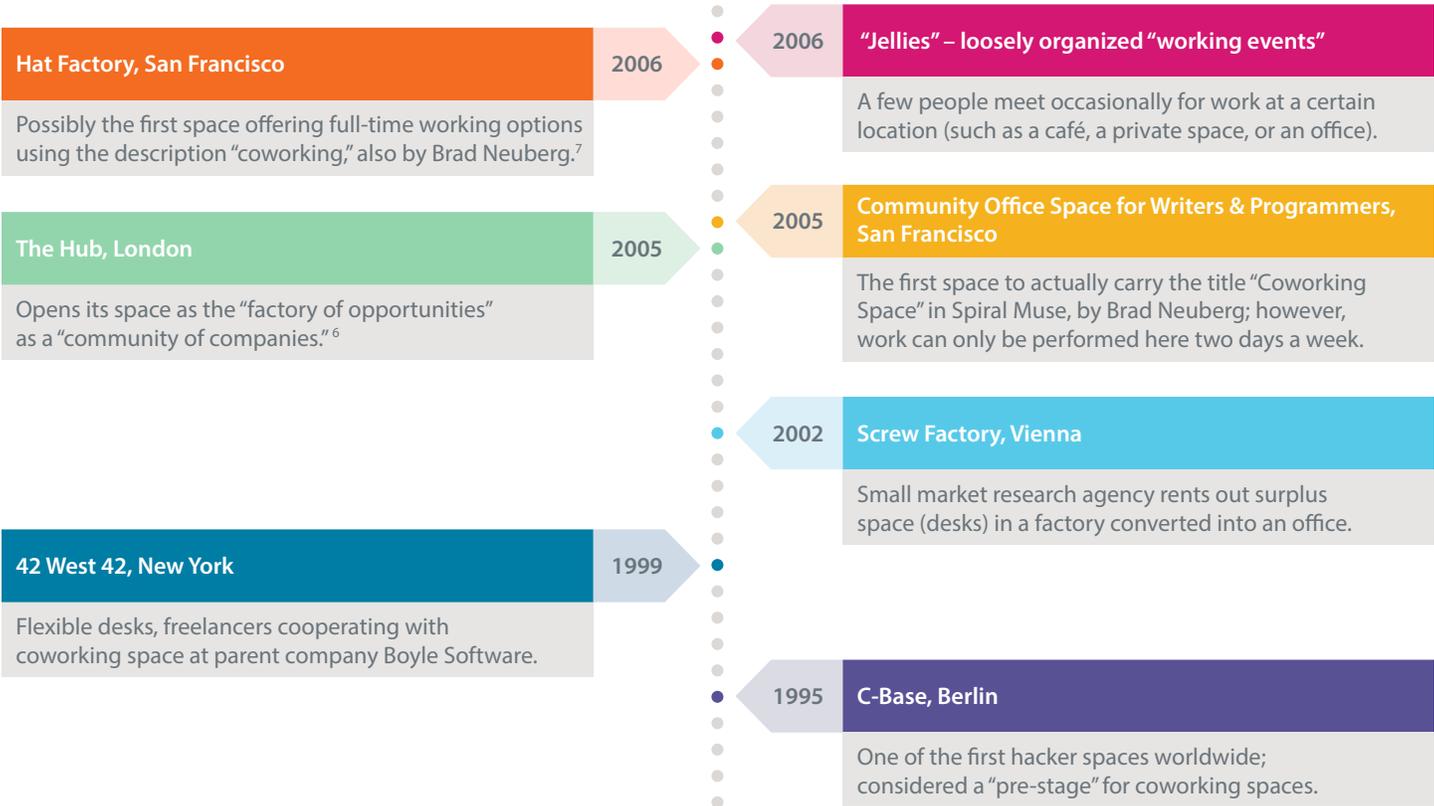
3 Pohler, 2011b.

4 Foertsch et al., 2013.

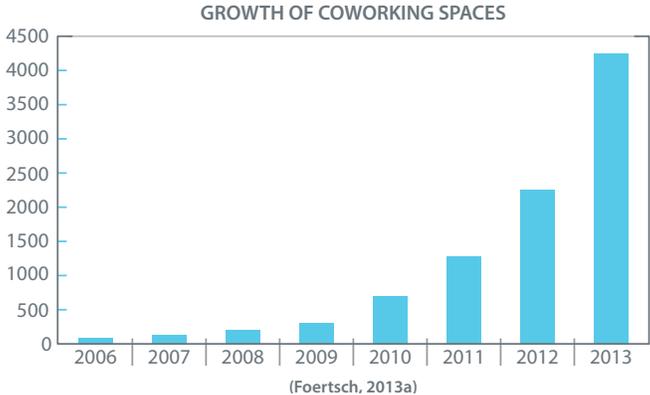
“Coworking,” coined by Bernard DeKoven in 1999,<sup>5</sup> was fundamentally different from traditional corporations where work was cordoned off in hierarchical structures and under constant observation and assessment—conditions that led to competition rather than collaboration. The core concept of “coworking” was working together as equals, and in the following years, a variety of coworking spaces opened their doors.

What is more relevant than which space was the first “true” coworking space is the fact that these such spaces *emerged at different locations worldwide, independent of one another*. All of which focused primarily on the collaboration of like-minded, independent people working in mutually beneficial ways—the foundation of a successful coworking model.

### COWORKING TIMELINE



Thus, coworking spaces doubled every year since 2006 as reported by Deskmag.<sup>8</sup> Every workday, the number of coworking spaces grew, on average, by 4.5 spaces. In 2012, there were 200,000 coworkers worldwide and every workday the figure increases, on average, by 245—which corresponds to a conservative estimate of an annual growth of 50,000 people.<sup>9</sup>



5 Foertsch et al., 2013.  
6 Foertsch et al., 2013.  
7 Foertsch, 2013b.

8 Linsay, 2013.  
9 Foertsch, 2013a.

### Stabilization of Coworking

Despite this growth, The Hub in Brussels, Citizen Space in San Francisco, and Betahaus Cologne in Germany—just to mention a few—had to close their doors. Potential reasons for failed coworking spaces include the mismatch of lease periods, thin capital base,<sup>10</sup> unfavorable location in terms of balancing cost-effectiveness and convenience, incompatible personalities and needs between space operators and coworkers, and misaligned space with business models. Coworking spaces that claim to establish and develop a “community” need to be of a certain minimum size; according to one of the Fraunhofer IAO interviewees, coworking spaces are usually only profitable from 1,000 sq. m (approx. 10,800 sq. ft.).<sup>11</sup>

“The workplace of tomorrow, where the best and brightest of the digital generation will aspire to work, will look more like coworking spaces rather than today’s corporate offices.”

- Andrew M. Jones, 2013

While the growth rate in excess of 80 percent will most likely decline in the coming years, a significant increase in the number of coworkers and coworking spaces will likely continue. According to Deskmag,<sup>12</sup> there are five reasons coworking is here to stay:

1. Coworking spaces usually invest their own money.
2. The labor market constantly changes the demand on certain office types.
3. Coworking spaces don’t thrive on market crises.
4. Coworking spaces adjust to the needs of its members.
5. The coworking market is far from saturated.

### Coworking: A Working Definition

The unbelievably wide range of different coworking spaces that exist today makes defining coworking a challenge.<sup>13</sup> However, the breadth of coworking spaces can be described with the following attributes:

- **Size** – Varies wildly from rooms and floors to buildings or coworking associations (e.g., Instant Hub).
- **Informal cooperation** – There are coworking space “chains” such as The Hub, and there are independent spaces that are loosely connected (usually within the same city) via cooperation, such as Coworking Visa, CoPass, or LEXC.<sup>14</sup>
- **Motivation of operators** (profit oriented, nonprofit oriented, and city development) – There are spaces whose operators gain profit (although not very high profits to date), and there are owners of small companies who rent larger floor space than they need and sublet the extra workspaces. (The income usually covers or partially cover the company’s own rental costs.) In some cities, such as Paris, coworking spaces can now even receive public subsidies as part of the promotion of local trade and industry.<sup>15</sup>
- **User structure** – On the organizational level, users can be freelancers, the space operators themselves (as “anchor entrepreneurs”), and company employees. On the professional level, some spaces focus largely on just one specialty field (such as software developers), while others are completely open to the professional mix of varied expertise.
- **Occurrence in cities of different sizes** – Coworking spaces exist in cities with a wide variety of sizes. While most spaces (48 percent) exist in large cities with more than one million residents, seven percent of coworking spaces are in cities with fewer than 20,000 residents.<sup>16</sup> Coworking could be an excellent instrument in the future to significantly enhance the value of rural areas.
- **Services provided** (extended professional and social services) – While providing workspaces and internet access are common denominators for all coworking spaces, the rest of the services vary greatly. Basic services include providing phone booths for private conversations, basic

print services, lounge and kitchen for eating and socializing, formal meeting rooms for clients, and event venues. Additional services can include providing work tools, such as monitors and keyboards, lock boxes, a physical mailing address, 24/7 access, telephone (landline) services, etc.

- **Ambience** – There are coworking spaces that resemble student spaces; others are more stylish; and yet others appeal more to business professionals. While initially most coworking spaces attach importance to cost-effectiveness (resulting in rather dull spaces), as they grow their ambience improves.

Keeping in mind the above variations, coworking hinges on **community** with the following key attributes:

- **Common infrastructure** shared among coworkers
- **Independence of coworkers** from one another
- **Mutual benefits** resulting from cooperation among coworkers

Thus, coworking can be defined as “the flexible working of knowledge workers largely independent of each other at a common, institutionalized location. In that respect, the hierarchy-free social network facilitates wide-ranging cooperation benefits for the participants.”<sup>17</sup>

- Fraunhofer IAO

Flexibility and freedom are keywords here, as coworkers work where they want to, as long as they want to, and, ultimately, how they want to—without a major commitment.

10 Foertsch, 2011.

11 Fraunhofer IAO, 2014.

12 Deskmag, 2013.

13 Schurmann, 2013; Pohler, 2011a; Buczynski, 2012.

14 Ng, 2013.

15 Cagnol, 2013b.

16 Cashman et al., 2012.

17 Fraunhofer IAO, 2014.

## The Five Core Coworking Values

To best facilitate coworking, the coworking movement cites five basic values, initially formulated in Citizen Space—one of the first coworking spaces in the US:<sup>18</sup>



### Openness

Also includes open-mindedness and a fundamental interest in others, respectfully dealing with coworkers and the willingness to share with them.

### Collaboration

In the broadest sense, it describes the fundamental willingness of the coworkers to work together and to help each another.<sup>19</sup>

### Community

An atmosphere characterized by trust; it is the social bond that motivates coworkers to help and support others.

These five core values are evident across various coworking initiatives, as illustrated in the Global Coworking Manifesto's Code of Conduct. Understanding the rise of coworking and how to appropriately define it, Fraunhofer IAO research reveals the nature of coworking as well as how corporations can harness the potential of coworking spaces.

#### Global Coworking Manifesto's Code of Conduct:

- Collaboration over competition
- Community over agendas
- Participation over observation
- Doing over saying
- Friendship over formality
- Boldness over assurance
- Learning over expertise
- People over personalities
- Value ecosystem over value chain

- *The Coworking Wiki*, 2015

## The Nature of Coworking

Freelancers typically work from home for a lengthy period of time, essentially eliminating the boundaries of work and private life.<sup>20</sup> Such loss of boundaries can lead to excessive working hours, distractions, conflicts in private life, and constant tension.<sup>21</sup> Additionally, without community, spatial and social isolation arises. Being alone not only has a negative effect on the psychological state,<sup>22</sup> it also has a detrimental effect on professional performance.<sup>23</sup>

After a certain period of time, freelancers can find themselves without professional and social security.<sup>24</sup> This lack of security forces many freelancers to look for alternatives with more certainty—conditions ripe for coworking.

"I think a lot more people are going to get into this [coworking] as time goes on. People are free to work from home and are free to not have to go into an office. People work from home and then realize how much it sucks, so they want to see what else is out there. I think a coworking spot is really the best of all worlds."<sup>25</sup>

- Kevin Scott, 2011

Although coworking spaces can vary widely to appeal to a broad spectrum of workers, there are three common components across all coworking spaces:

- Structure
- Community
- Independence

18 Hillman, 2011.

19 Schurmann, 2013.

20 Kempf, 2013.

21 Jurgens et al., 2007.

22 Rajaratnam et al., 2008.

23 DeGuzman, 2011.

24 Pohler, 2012.

25 DeGuzman et al., 2011.

**Structure**

Coworking spaces provide a framework that is physical on one hand and social on the other.

• **Physical Structure**

Space and infrastructure form the physical framework. The aspect of an external space (i.e., outside of the home office) facilitates a spatial separation between work and leisure. This physical separation also creates a mental separation and prevents potential conflicts, minimizes distractions, and promotes motivation. Besides space, infrastructure—internet access, printers, meeting rooms, and services, such as maintenance, cleaning, and purchases—is also shared in coworking spaces. With fewer physical structure requirements for the individual, more resources are freed up for work itself.

• **Social Structure**

Coworking spaces also help alleviate social isolation, creating a social framework for work life. Human interaction is important to thriving; the Hawthorne experiments in the 1920s proved it.<sup>26</sup> Social factors have a strong influence on work performance beyond the objective working conditions. These experiments revealed that workers who were observed and received attention from third parties performed better.<sup>27</sup> Although working conditions have changed as a result of technological and economic developments, human nature has remained stable.

In coworking spaces, the presence of others—known as the “colleague effect”—has a positive effect on motivation and performance.<sup>28</sup> Coworkers themselves also report a productivity increase of 75 percent and an income increase of 38 percent since working in a coworking space.<sup>29</sup> These increases most likely are due to a combination of working at home, working in a coworking space, and the lack of hierarchy in collaborative, coworking efforts. Concentrated, focus work can occur in the calm seclusion of a home office while

idea creation and collaboration occur in the coworking space. In coworking spaces, people work independently, together; with less hierarchy, workers are accountable for their own projects, progress, and working method. These conditions prevent “social idleness” and “free-riding,” counter-productive behaviors found in group processes in which responsibility is too diffused among members and processes lack transparency.

**Community**

Community is built on this physical and social structure. In coworking spaces members know, support, and trust one another. There is a user-oriented dimension and a social dimension in such communities. A professional network and collaboration built on trust and shared values within the user-oriented dimension affect productivity. The social dimension consists of indirect effects on productivity, such as well-being.

• **User-Oriented Dimension**

The user-oriented processes people experience in coworking communities consist of networking and collaboration. The professional network is the precondition for coworking. The revolving nature of membership in a coworking network provides fresh insights, knowledge, and access to subject matter experts that lead to projects, products, and even markets for products and services. Freelance coworkers report that their business relations have expanded by as much as 80 percent as a result of working in a coworking space<sup>30</sup> and most likely contributed to the increased productivity and income cited previously.

Fundamentally, these networks are collaborative and characterized by trust and shared values. Trust—“a willingness to put oneself at risk based on another individual’s actions”<sup>31</sup>—is built on shared personal knowledge of fellow coworkers, and collaboration requires individuals to be situated in a stable, trustworthy relationship. To illustrate this level of trust,

in large coworking spaces no less than 67 percent of the members know the first names of most of the other coworkers, and 83 percent are comfortable leaving personal items such as laptops and phones at the workplace.<sup>32</sup> Although shared values can differ across coworking groups, having shared values within a coworking group increases trust among the members. This is how coworking spaces become reservoirs of like-minded people to meet, implement their shared values, collaborate, and innovate.

“If one imagines these people who collaborate with co-strategies and a ‘sharing economy,’ it is almost a matter of course that a wide range of type of collaboration emerges, and that such collaboration will bear fruit.”

- Fraunhofer IAO

Furthermore, diverse ideas from a coworking network of highly trusted coworking colleagues maximize the advantages of collaboration, and provide opportunity for knowledge transfer and needs-based learning.<sup>33</sup> For the same reason, coworking spaces lower the risks in vulnerable phases of start-ups and support the transition from moving an idea to fruition in a small company. Therefore, coworking spaces act as catalysts for start-ups in which ideas are born, skills are grouped together, contacts are established, and infrastructure is made available. Start-up growth opportunities improve compared to development without the institution of coworking spaces.<sup>34</sup>

26 Mayo, 1949.

27 Nerdinger et al., 2011.

28 Sprenger, 2013; Mas et al., 2009; Falk et al., 2006.

29 Foertsch et al., 2012.

30 Foertsch et al., 2012.

31 Atkins, 2013.

32 Foertsch et al, 2012.

33 Alves et al, 2007.

34 Schurmann, 2013.

### • Social Dimension

The quality of a community has an overall effect on the well-being of coworking individuals, which in turn influences performance. However, work no longer is just about performance and its associated stress. A fundamentally new interpretation of work has developed among the highly educated and younger generations. These workers seek work that is pleasurable and that makes sense. Enjoying going to work, meeting people, and exchanging ideas are becoming the basic values around which the most time-intensive activity of our current society revolves. It improves work morale, and a pleasant, productive atmosphere abounds. Since social cohesion and social interaction are naturally intrinsic rewards for people, the existence of a community can raise the general well-being of workers.<sup>35</sup>



Additionally, a common spirit exists in coworking spaces, where work is lived unconventionally and “un-corporate.”<sup>36</sup> In a time when a) flexibility leads to individualization; b) hierarchies are becoming flatter and cease to exist for freelancers; and c) workers become self-reliant, coworking spaces are ideal communities characterized by trust that create a sense of security. Instead of isolation where everybody only looks out for themselves, a new sense of security in the community emerges. The feeling of being able to fall back on the competence of an entire group whenever needed has a calming effect. It appears that people have a strong yearning for such a close community. A “we time” appears to be dawning, but under no circumstances is it a step back to traditional, controlling structures.

Creating a culture of community and maintaining such is no easy task, but it is absolutely essential for the success of a coworking space.

However, it is no easy task to establish and maintain such a community. One critical factor is the initial group of people who establish the culture at a new coworking space. Once a community has formed and defined itself, self-selection regulates the new arrivals in a way that the culture is slow to change.

### • Freedom and Independence

If work were absolutely free, it would mean that one could decide:

- When to work
- Where to work
- How much to work
- With whom to work
- For whom to work
- What one does as work

While freedom in relation to work is almost always relative, a certain level of freedom already exists today in our work, even at traditional companies. Freedom is becoming more and more important for employees who desire self-determined and meaningful work that aligns with their individual goals. For freelancers, ultimate freedom also means that one is alone. One needs to deal with everyday uncertainties at work alone and manage the anxiety of failing without support. In this respect, the opposite of “freedom dies with security” becomes true. A high level of freedom proportionately reduces existing security. Freedom also creates constraints such as self-control, self-discipline, self-incrimination, and self-exploitation, all of which create stress for freelancers. Moreover, freedom can overwhelm employees and can lead to a reduction in performance. Thus, an appropriate introduction of coworking is necessary, involving cultural change and building a culture of trust.

Coworking spaces provide an opportunity for people to enjoy the increasing freedom without losing all the security and suffering negative consequences. First, the work in coworking spaces is self-determined. This means that the location and time of work, as well as the work itself, can be determined flexibly at any time by the individual. Then, the workplace and the community in the coworking space can be organized. Coworking spaces are geared towards the needs of their members, and thus draw in new members with similar interests. Finally, the work in coworking spaces satisfies the requirements of an individual and self-determined worker.

Coworking spaces meet the changing values in the workforce. As more people with ever differing values, technology, and work requirements seek workplaces, coworking spaces are poised to meet those needs—and corporations are paying attention.

*Coworking spaces establish an almost impossible compatibility of opposites:*

- Security within insecurity
- Consistency in variation
- Commitment in non-commitment
- Individuality in collective activity
- Loyalty in rivalry
- Intimacy in anonymity
- Familiarity in the unknown

- *The Coworking Wiki, 2015*

<sup>35</sup> Chang, 2013.

<sup>36</sup> Bender, 2013.

## Corporate Coworking

***“The primary reason for ‘corporate coworking’ is to generate and test new ideas.”***

- Dr. John Sullivan, 2013

It is no longer rare that companies are engaged in coworking, taking advantage of coworking interfaces between the corporate world and the evolved forms of free work. In 2012, six percent of all coworkers were employees of large companies (more than 100 workers).<sup>37</sup>

...Gilbreath explains, “I think you’re gonna see the blurring of the lines of workplace. Whether you’re a freelancer or a corporate employee, workplace is wherever I am. It’s not just explicitly my company’s office, it’s wherever I am as a consumer. Coworking as a principle just means a vibrant environment where space sharing is part of the concept. And there’s rich interaction when people want it and there’s privacy when they need it. And I think you’ll see...those principles will invade workplaces, wherever they exist...”

- as cited in Blackstock, 2013

It is clear that the traditional office environment in its current form is not the only solution for future workplaces.

Numerous forms of coworking-like organizational and work approaches are being implemented by companies, small and large. What follows are eight current corporate coworking approaches, possible caveats to corporate coworking, and four potential future corporate coworking approaches.

## Current Approaches

### Sub-leasing

In such arrangements, companies rent out workplaces to external parties. Potential motives for companies include: rental revenue, vacant space due to fluctuations in employee numbers, contact with innovative freelancers and start-ups, possible subject matter expert hires, and acquiring new and maintaining existing customers.

### Offsite Meetings

Some companies occasionally organize their offsite meetings at a coworking space. While this can be expensive, motives include inspiring environments for employee meetings or targeted workshops involving local coworkers to speed up innovation and, rarely, acquiring new personnel.

### Renting

In this scenario, companies rent workplaces at coworking spaces. Motivators for such arrangements can include:

- Saving costs (coworking spaces are usually very affordable)
- Flexibility (rent is on a monthly basis; it is also a great way to establish a first office in a new country)
- Added value for employees (particularly to teleworkers or to those with long commutes)
- Tapping into a new talent pool
- Potential to increase employees’ creativity (by being in a different work culture and environment)

Typically, these are on a trial basis, initiated more often by individual management than supported and implemented by a broad corporate strategy. Usually it is on a voluntary participation basis, and while the percentage of people who actually do participate is still low (three percent),<sup>38</sup>

these people only have positive experiences. Those who opt out lack the information of coworking benefits and think coworking spaces are noisy, open workplaces and they’ll lose privileges such as a dedicated workspace, free coffee, a subsidized corporate cafeteria, etc. A potential pitfall of renting occurs when the cultural difference between the company and coworking space make it more difficult to successfully implement the coworking potentials for the company.

## Operating Coworking Spaces External to the Company

Some companies open their own coworking-like spaces as powerhouses of ideas to tap into freelancer networks, fresh talent, and collaboration opportunities with start-ups. Such arrangements can lead to hotspots where companies and freelancers come together and jointly start projects. Innovation done at the periphery is easier to transfer to the company, because individuals who work at coworking spaces are in a weaker relation to the company and suffer less from the consequences of failure than employees firmly anchored in the company.<sup>39</sup> If risk is outsourced, more independent thought is promoted. In the end, the company’s weaker links to the periphery bring new ideas to the company. It is precisely this type of relationship found in coworking spaces and part of the reason why, for example, Google operates an attached coworking space.

Haworth also operates a space in Sydney called [The Porter](#), which is a fully hosted and managed business lounge designed to facilitate quality meetings, collaboration, and workshops. It provides its members with unique access to shared spaces and amenities within a large building. While membership is open for anyone, it is expected that the majority of memberships will soon be held by building tenants, including the University of New South Wales. The space is equipped with Haworth’s new furniture models, which are tested there for day-to-day use and are reconfigured several times a year to accommodate changing needs. Haworth also uses the space to gain experience with coworking and “future of work” in general.

<sup>37</sup> Foertsch, 2012.

<sup>38</sup> Fraunhofer IAO, 2014.

<sup>39</sup> Klambauer, 2006.

**Coworking-Like Features In-House**

Companies focusing on improving their innovative capabilities introduce coworking-like features internally. Basic preconditions are: 1) spatial structures of openness that enable serendipitous encounters and informal communication; 2) project-oriented, temporary collaborations; and 3) increased levels of freedom, such as flexible working hours and work teams. Benefits include:

- Places to withdraw from disruptions.
- Coworking with people from various business units and valuable insights to how the organization as a whole works.
- An excellent way for knowledge transfer within the organization, which otherwise can be difficult.

Under the “Future of Work Program” at Capital One, a spectrum of different workplace types was created that support the following four postulated work modes:<sup>40</sup>

<p><b>FOCUS</b> <i>concentrated individual work</i></p>	<p><b>COLLABORATE</b> <i>collaborating with others</i></p>
<p><b>SOCIALIZE</b> <i>maintaining relations, bonds, and values</i></p>	<p><b>LEARN</b> <i>acquiring new knowledge and skills</i></p>

Giving employees the choice of where and how to work makes them more effective, and flexibility also makes employees happier.<sup>41</sup>

Similarly, in 2011, SAP AG established the SAP Innovation Center in Potsdam, Germany, in an attempt to boost innovation. Their coworking-like space is geared towards supporting project work and creativity for flexible teams. All desks are on casters and can be moved anywhere and plugged in to the power and internet connections that are supported with a raised floor. Communication is supported by a deliberate reduction in the number of

meeting rooms, forcing people to utilize the open-space cafeteria for staff meetings.

**Sponsoring**

It is not uncommon for coworking spaces to be sponsored financially, usually by large companies. The TechHub in London is an example—a coworking space for technical entrepreneurs within the Google Campus. (Other sponsors besides Google are Telefonica Initiative BlueVia, Blackberry, and BT.)

The benefits for sponsoring companies include the opportunity to participate in interesting innovations and being very closely aligned with innovative start-ups, as well as various marketing opportunities.

**Incubator and Accelerator Programs**

Companies can partner with start-ups to develop ideas and products, increase innovation, and perhaps reduce development time and/or costs. Coworking spaces can, by their nature, support such models.

While incubator programs support individuals and groups involved in start-ups, accelerator programs help start-ups achieve quicker development, usually via coaching during a certain period. In both cases, there is targeted support from companies, in hopes of gaining access for knowledge, ideas, and innovations. The main differences are:

- Incubators are normally considered significantly more generous in terms of the timeframe; the interest is on a lasting collaboration between the start-up and the company. It is also not uncommon to see companies investing in the start-ups via capital contributions.
- By contrast, accelerator programs involve support for a very limited and specific period of time—frequently just three to six months. However, during this period, the start-ups undergo intensive coaching. The objective frequently consists of developing innovative products that can subsequently be acquired or licensed by the companies.

In practicality, operating coworking spaces for incubators or accelerators is difficult, however, to make a clear distinction between the two. Most coworking spaces

that operate in this scenario contain both features. An example is Telekom Innovation Laboratories (T-Labs) in Berlin. Established in 2004 as a central research and development institute of Deutsche Telekom, its objective is to develop innovative IT products and solutions, with activities geared towards founding start-ups.

Zappos (acquired by Amazon in 2009) invested \$350 million for the city development in downtown Las Vegas, of which \$50 million was spent on “Vegastechfund,” a fund for innovative, community oriented technology start-ups. The city is described as the “world’s most community-focused major city” and the “world’s coworking capital city.” Instead of a short-term return on investment, maximizing the long-term “return on community” is envisioned.

**Alternative to Home Office**

At companies like IBM, where a large proportion of employees no longer have an office provided by the company and work from home, employees choose to rent coworking spaces, in part even at their own cost.<sup>42</sup> People are social beings and, to a certain extent, require social contacts, discussions, and exchanges. The loneliness for people working from home can be alleviated by commuting to a coworking space. In the future, companies will likely take a more active role in offering this opportunity for their employees (and also paying for it). Benefits include:

- An opportunity to escape home office isolation.
- Savings in commuting times and costs (also more sustainable).
- The opportunity to maintain and enhance local community networks.
- An increased level of freedom in relation to the work, having a positive effect on motivation, creativity, and performance.
- Attraction and retention of talent (qualified employees who do not want to give up their place of residence, or want to move freely to a different location, can be recruited or retained).

40 Gensler, 2009.

41 Jones, 2013.

42 Jones, 2013.

## Future Approaches

As the previous scenarios illustrate, companies are already implementing and benefiting from the concept of coworking. In the future, such arrangements are likely to expand. The following arrangements seem to have a particularly promising future.

### Coworking as a Sabbatical

An interesting trend nowadays is that coworking spaces are already available at attractive holiday destinations, linking work and leisure in a unique way. Such a model can be well suited for project work that calls for a high level of creativity. If the space combines coworking with specific leisure activities, the coworking effect can be intensified.



Companies in the future may offer their employees the option of partial sabbaticals—working part time on a temporary basis at such destinations, while on sabbatical or on vacation. While it might be hard to separate work and holiday, and it is certainly not for everyone, some might benefit from such arrangements as they can take longer vacations while still keeping in touch with colleagues. This could also be a reward for past outstanding results, with positive effects on employee creativity and performance.

### Coworking for Professional Training

Coworking can offer high potential for training, and its positive effects still are largely underestimated. Employees can spend a period of time in a coworking space with professionals from similar fields. Such arrangements can also be a welcome change from the conventional daily routine, and a more informal way to extend one’s knowledge by exchanging ideas with likeminded individuals. It may also provide a lower cost alternative for companies than providing in-house training.

### Coworking in an Association of Enterprises

In this model, different companies operate a coworking space jointly and make it available to their employees in order to conduct joint developments or projects that require constant collaboration. This type of arrangement could move beyond the initial goals due to the community of trust, yielding information exchange, future collaborative projects, and strengthened partnerships.

### Booking Start-ups to Develop Ideas and Products

Companies frequently engage or incorporate with start-ups to develop specific ideas and products. The more innovative the company wants to get, the more the qualities of coworking apply. By using coworking spaces as institutionalized contact centers, companies can cooperate with start-ups to bring specific levels of creativity to the innovation process via freelance experts.

## In Summary

Numerous variations of coworking spaces already exist, in terms of size, quality, management, culture, and other attributes. Both the number of coworking spaces and their variety will most likely continue to grow in the near future.

Coworking is in a position to fundamentally change knowledge work. Freedom, independence, structure, and community—this combination of attributes, which to date are almost exclusively realized simultaneously by coworking alone, is becoming attractive to knowledge workers. More and more companies will be adopting coworking-like arrangements, as an opportunity to tap into fresh talent, and retain employees.

Coworking can provide huge opportunities for employees, too. While they can continue to enjoy corporate advantages, such as the relative job security, structure, and career options, employees can also enjoy the opportunities arising from coworking, such as developing new communities, expanding knowledge and networks, and increasing work-related levels of freedom. Potentially “commuting” between these two worlds gives knowledge workers a very good opportunity to integrate work and life.

### Potential Caveats of Current Corporate Coworking

Some drawbacks of the above arrangements include:

- **Security conflicts:** Since openness is one of the basic values of coworking, it’s all about sharing and the free exchange of information. On the other hand, corporations are extremely competitive and information security is important to them. This creates a potential conflict when implementing coworking-like concepts.
- **Lack of organizational freedom:** Hierarchy-free coworking spaces are not being realized by a long margin at companies; they are probably not even considered.
- **Deciding on which employees are suitable for coworking:** The selection should involve considering work tasks, equipment needed, and personal characteristics around self-initiative and responsibility.
- **Managing corporate culture:** When employees are remote, corporate culture can be more difficult to build, maintain, and strengthen. But people at coworking spaces usually create a unique culture, completely different from their company.

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**Fraunhofer IAO** helps companies and institutions introduce new business models and efficient processes to make their businesses more successful. With our in-depth knowledge of organizational structures and technologies, we have the skills you need to put applied research into practice. We participate in international networks, investigating and shaping the frontline themes that are most relevant to the future of Germany as a business location. Our goal is to systematically optimize the ways in which people, organizations, and technology interact.

## Editors



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