



CO WORKING SPACE FOR ENTREPRENEURS: A CASE STUDY OF CO WORKING SPACE FOR INNOVATION AND ENTREPRENEURIAL DEVELOPMENT

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Abstract

The success and challenges of Entrepreneurs are infinite and buzz around the co-working space is a new trend that is becoming popular among young entrepreneurs getting increased day by day. A co-working space is a unique concept breaking the traditional norms of work culture among young IT savvy population. It provides an excellent infrastructure and an opportunity for networking among entrepreneurs an integral part of Entrepreneurial journey for start-ups. Traditional work space does not facilitate interaction because of its formal set up. A community is created within their space that enables serendipitous interactions, new contacts and businesses development and more importantly has a support centre to discuss challenges and opportunities. Start-up Entrepreneur ventures are difficult and challenging because it is a venture that are started by young passionate not very experienced people. It is a process that gives an opportunity for self-learning and discovering the hardships as they start-up ventures. This paper focuses on the new trend and culture of co-working spaces in Mysore and Bangalore. It will examine the challenges and the culture of this new trend. It is profile the entrepreneur spirit that is growing in the co working space that are largely contributing to the Information Technology (IT) sector of India.

Keywords: Women Empowerment, Co-working space, Entrepreneur, Innovation, Start-Ups, Technology.

Introduction

The advent of technology has facilitated Innovation and the concept of entrepreneurship that are often considered as interlinked concepts. To start with we examine innovation and entrepreneurship that are often seen as necessary and integrated features in accelerating growth and industrial renewal in society (Braunerhjelm et al., 2009) and both concepts are often included together in the title of conferences (e.g. European Conference on Innovation and Entrepreneurship 2012), journals (e.g. Journal of Innovation and Entrepreneurship and International Journal of Entrepreneurship and Innovation Management), and in academic courses – indicating that one field of research is studied. However, in reality it can be argued that the topic since it is interconnected are two different fields. For example, there is a serious concern to be examined that that not all new ventures can be considered as innovative, and not all new knowledge generate viable business opportunities. In addition, when the concepts “innovation” and “entrepreneurship” often interprets the concepts in different ways. In general terms to define innovation, concepts such as “inventions”, “newness”, “new technologies”, “R&D” and “creativity” frequently expressed. While entrepreneurship is mention as concepts such as “start-ups”, “commercialization”, “business ideas” and “the entrepreneur as an individual”. This study elaborates on the relationship between innovation and entrepreneurship by taking a cognitive approach and analyzing the knowledge platforms in innovation and entrepreneurship studies.

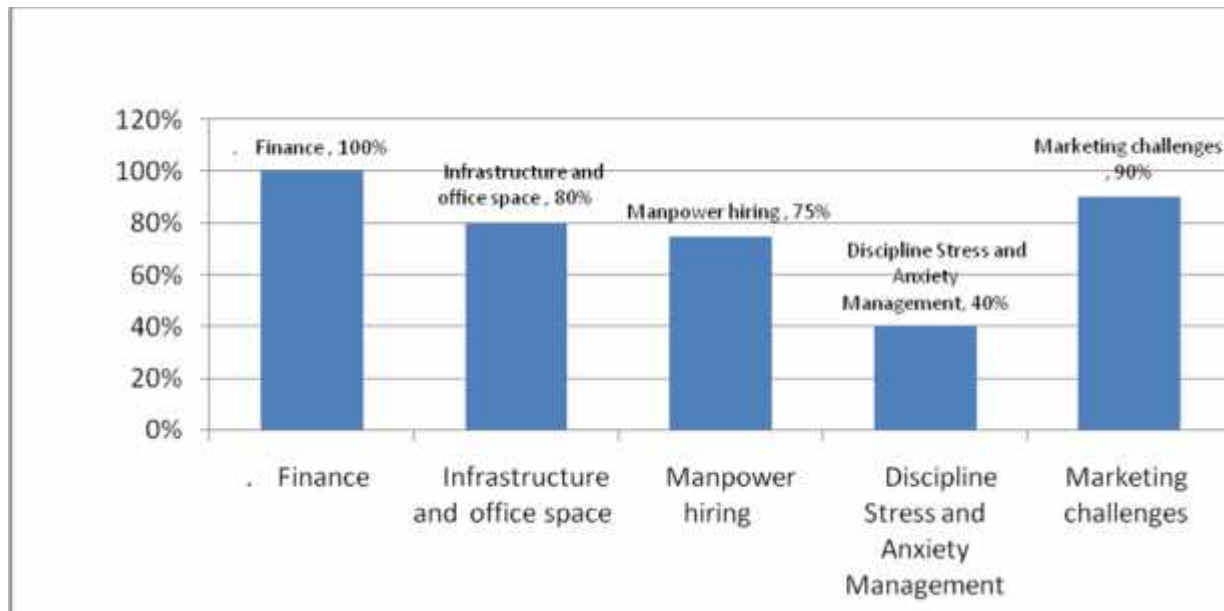
Innovation

Innovation is a new dream/idea/device/method; or the act of introducing new ideas/devices /methods /service / product. Innovations can be new products/business models/customer relationship/any form of new dream/idea. Innovation, however, does not have to mean the creation of something totally new. Improvements and iterations upon an existing idea/product/service are also innovations. Take the iPod, for example. While far from the first personal music player, the iPod introduced an unprecedented customer relationship and business model, shaking up the electronics industry. Innovation creates change; it disrupts the status quo, but it does not automatically translate to entrepreneurship or new business. In addition, innovation occurs in plenty of other



contexts beyond business. Non-profit organizations, academic and Governments also generate groundbreaking dreams/ideas, often sparking Economic and social change. According to Livingstone (2000:3) in Hindle (2009). Innovation is not just the idea – innovation is only achieved when the idea has been transferred into an outcome which has value. Young Entrepreneurs are often thought of as people who have it all figured out. They have a great idea, they know how to execute it, and once they decide to start, no one can stop them. While all this is true, challenges faced by entrepreneurs are still common.

From not being able to keep financial books accurate to judging the market situation, everything seems like a test. When entrepreneurs are supposed to be focusing on just the idea, they actually have to handle finances, look for infrastructure attracts customers, and also manage other business tasks.



Challenges of Entrepreneurs

Source: Author's Calculation

The most challenging areas for entrepreneurs have been:

- Finance
- Infrastructure and office space
- Manpower hiring
- Discipline Stress and Anxiety Management
- Finding Customers

The main challenges are where to set the office how to begin where to bring in huge deposits and rising cost of real estate. The answer to solve these challenges is co working space.

Co-working spaces are shared workspace with all facilities like:

- Printing
- Conference room
- Office furniture
- High speed internet
- Reception desk
- Mail box
- Address registration
- Pantry etc.

The financial cost is not very high and approximately the Price varies from 300 rupees per day to 3,000 per day or even monthly basis.



Silicon Valley of India

The performance of India's IT industry during the 1990s has been impressive, particularly in contrast to other sectors of the Indian economy. The sector's compound annual growth rate (CAGR) for 1994-1999 exceeded 40%, compared to only 6.6% for the economy as a whole.² This strong growth was led by the software industry, which in 1999 accounted for 65% of India's total IT revenues and employed more than 200,000 workers. Total software revenues of \$3.9 billion in 1999 were close to four times those of IT hardware manufacturing and grew more than 55% per year in the late 1990s. Moreover, the software industry's growth was driven primarily by exports. The founding of National Information Technology and Software Development Task Force in 1998 and its policy recommendations aimed making India the "number one provider of IT products" in the world. Within India, Bangalore emerged as the leading software-producing region and the large number of domestic and foreign firms there has led to popular references to it as India's Silicon Valley. This essay, however, argues that referring to Bangalore as Silicon Valley's India is more appropriate, as it struggles to transform itself from a region that develops software for global markets to one that defines new products and technologies. Driving the growth of the Indian software industry is the export of labour-intensive services, while the relatively small and slow-growing domestic market has limited the nurturing of original ideas. The essay explains the limitations in terms of social constraints on the state despite its changed character. The analysis of how changing state-society relations have shaped the software industry in Bangalore provides a means of addressing debates on the importance of social embeddedness in agglomeration and late industrialization in newly industrializing countries.

Co-Work Space in India

Across large cities in India, co-working spaces have mushroomed at such a rapid pace; it is difficult to keep a track of how many are actually around. Originally billed as a perfect working space for millennial, co-working spaces are becoming very popular among the large and even medium-sized businesses for their affordable infrastructure and business opportunities. This, however, begs the question- what is fuelling this growth and is this bubble? Many feel with India becoming the third largest start up hub in the world and the second largest freelancer workforce in the world, there is a huge potential demand for co-working spaces in the country. The market is huge and expanding. Currently, 46 percent of India's workforce is millennial looking for tech smart offices. They embrace collaboration opportunities, giving a window to co-working players to expand. In India first locations have been in Bangalore, Mumbai and Gurgaon and Mysore. The achieved over 90 percent occupancy it has been a very successful across India according to WeWork head of sales Varun Gopinath, Head of Sales based in Delhi. Gopinath says when WeWork entered the Indian market in 2017, the co-working industry was still at a nascent stage. The Indian economy was in a position where businesses of all industries and sizes, whether a start-up, SME's or a large enterprise, were poised for massive growth. "India is also home to 65 percent of the population under the age of 35 years who are seeking greater social engagement and looking for a work environment and be a part of a large community of like-minded people. This created an opportunity for spaces where innovation, community and collaboration are at the forefront of creating a new way of working, one focused on helping people find meaning in what they do," he adds.

India's burgeoning start-up community and steady economic development are drivers of growth of the flexible workspace industry. In fact, India is the second-largest market for flexible workspaces in APAC, second only to China. A staggering \$3 billion has been injected into Co working spaces in APAC in the past four years, according to CBRE research. Co working spaces have also grown rapidly in recent years, reaching a total footprint of just under 40 million sq. ft. as of H1 2018 in 16 major Asia Pacific cities including Bengaluru, Mumbai and Delhi NCR, shared CBRE. The above-mentioned cities have also emerged as the hub of the co-working culture in India. As of June 2018, Delhi NCR, Mumbai and Bengaluru had approximately 2.9, 2.8 and 4.1 million sq. ft. of flexible space available respectively, which averages to about 2.83 percent of the total real estate inventory available for those cities. An emerging and rapidly growing sector, the market for co working spaces doubled in 2017. The growth sustained in 2018 and is expected to continue this year. Let's take a look at the key co-working trends that will shape 2019: Large enterprises will embrace agile workspaces Start-ups have been early adopters of co working spaces, but the coming year will see corporate tapping into its potential as well. Few big names such as Amazon and Starbucks are leading this trend.



The reasons for corporate go beyond cost savings. They are realising that working alongside young, energetic and like-minded people outside the conventional office set up can lead to innovation, boost in productivity and employee satisfaction. Traditional industries to switch to co working options While technology and ecommerce companies have been flag bearers of co working spaces, we believe more traditional sectors such as banking, insurance, manufacturing, etc. will fuel the growth of agile workspaces this year. Corporate today want to portray themselves as new-age companies with more modern culture to attract young talent. Providing flexible work options is a sound approach. Niche co working spaces to emerge Today, co working options are modern workspaces with latest amenities such as fast WiFi, conference rooms, snack bar, game zone, etc. However, they are generic in nature. They are for all kinds of people irrespective of their work or personality. According to Smart works, co working spaces catering to particular industries sprouting in 2019. The co working industry will also have spaces dedicated to a specific type of people such as health aficionados with healthy snacks, gyms, etc. or night owls with facilities being open 24X7. Currently, about 41 percent are activity-based users, and this is expected to grow to 78 percent over the next two years, driving the growth of such sweeteners, says the CBRE report. Tier II markets will see major growth.

The industry has reached tier II cities in the past couple of years, and we believe this trend will continue in 2019. While Delhi, Mumbai and Bengaluru have the maximum number of coworking spaces in India, cities such as Chandigarh, Ahmedabad, Kochi, Indore, and Jaipur will see the swanky agile spaces mushrooming this coming year. With office rents continuing to move up across India, the total area leased by co-working spaces in Tier I and Tier II cities could touch 6 to 10 million sq. ft. by 2020, according to CBRE. Consolidation of players in the sector Co-working spaces in India have witnessed more than 350 players jostling for the share of pie to be ahead in the sector and become sustainable in a short period of time. With more and more shared office spaces entering the sector, consolidation is imminent. A few large operators will rise-up and forge an association with the smaller firms for better economies of scale. Automation and expansion of service offering Majority of spaces host tech companies, but they themselves rely on manual processes. Co working spaces will become tech-savvy themselves in 2019. Booking a seat or a conference room, generating an invoice, paying for services or maintenance bill, tracking attendance – all operational aspects will see automation. We foresee office management will be seamless, eliminating human error or bias. Agile workplaces will also offer services beyond what is currently the norm. They will host investor meetings for start-ups, provide financial guidance, etc. Productivity and collaboration efforts will increase Productivity may be another aspect that will see a major shift at these spaces. Various facilities such as crèches and yoga classes will be incorporated to enable productivity.

Additionally, collaboration initiatives will be boosted to help people network and work together in a cohesive workplace. Events, workshops, seminars, and meet and greets will be hosted by co working places. Smart works' 'Smartweekenday' programme provides networking and collaboration opportunities through its array of regular events, ranging from pet therapy, indoor games and tournaments, and stand-up comedy, among others. Multi-location spaces to witness more growth the jet-setting crowd prefers to rent co working spaces that offer the flexibility of being leveraged in multiple locations. Travellers are opting for membership that can be used on the go. Keeping with this trend, a lot of co working brands are planning to open up in newer locations. Quality of co working spaces will get better the design, comfort and overall look and feel of co-working spaces is also likely to improve. The coveted Google, Face book vibe will be the new normal. Modern interiors, trendy furniture, standing desks, and big screen TVs will be incorporated to grab a larger share of the co working tribe. Recreational rooms will also be elaborate this year. Cleantech and greener spaces will be an order of the day the dream is to work at the beach or on top of the mountain. While that may not be possible for everyone, co working spaces will incorporate more elements of nature to create a beautiful work haven. They will work towards helping workers relax to enhance productivity. One of the key trends will be cleantech. We believe spaces will move to cleaner solutions to reduce their carbon footprint. Solar-powered energy, copper ACs, etc. will be used to make the space more efficient and curtail damage to the environment. Co-working, a fast-evolving vertical, was a completely new idea just a few years ago. The industry has seen innovation being built in year-on-year. The above trends will make co working even more fascinating as we see it grab a larger pie from traditional workplaces. The flexible workspace industry will further disrupt, and this year is definitely going to be exciting.



Discussion

In order to fulfil the objective of this research focus groups and case studies, interviews, observations and discussions techniques were used since there were appropriate and most useful to examine the various aspects and narratives during the due course of this study. The percentage analysis was done on the basic facilities required for any entrepreneur to begin its operation and we found that co-working spaces adhere to all the needs including technical needs. The last few years have seen an exponential growth of co-working as a concept across major office markets in India. A comparison of the cumulative co-working space leased (in Grade A office space) by different service providers across top seven cities during 2017 and 2018 indicates a marked increase. While in 2017, the space leased was 1.9 million sq. ft., it increased more than two times to 3.9 million sq. ft. in 2018. In 1Q 2019 space leased by co-working operators has already reached 1.1 million sq. ft. and therefore it is expected that in 2019 it will surpass the area leased recorded in 2018. The growing demand of co-working space is due to the aggressive expansion by existing players and entry of new operators. If we consider the top seven cities, the co-working share in office leasing has increased from 5% in 2017 to 8% in 2018. In 1Q 2019, it increased further to 12% demonstrating a healthy demand for office space from this sector. According to our estimates, there are approximately 325-330 co-working operators in the top seven cities of India.

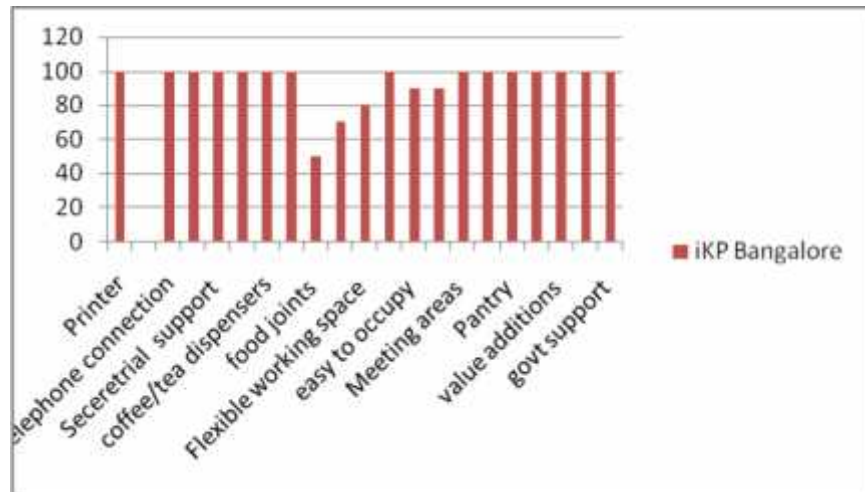


Chart 5.1: IKP Bangalore

Source: Author’s Calculation

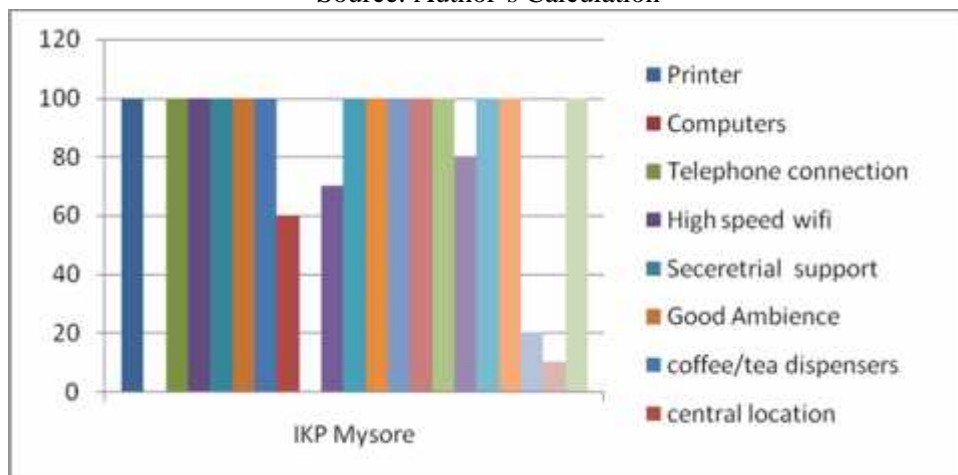


Chart 5.2: IKP Mysore

Source: Author’s Calculation



Working remotely doesn't have to mean being cooped up in your house or apartment. Now there are spaces where remote workers and tech start-ups can get office space or just share a communal work area with others just like them. Co working spaces like WeWork have even made the news recently scoring big cash investments.

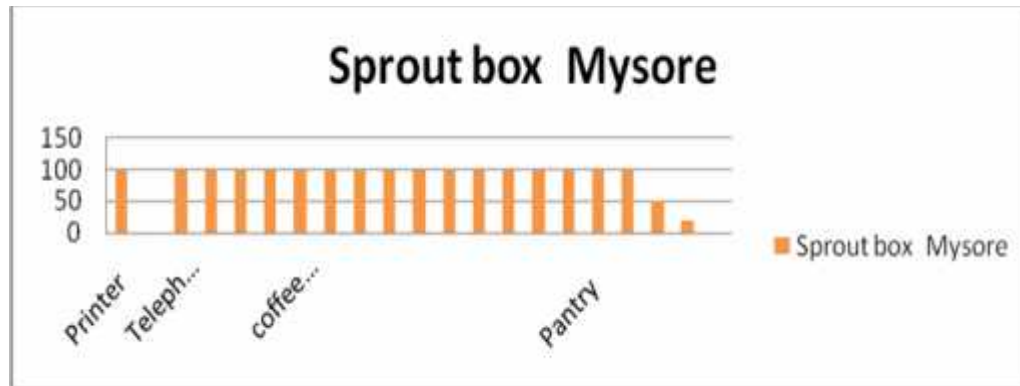


Chart 5.3: A facility centre at Sprout Box Mysore

Source: Author's Calculation

It is important to study similar co-work spaces in Mysore as it is an emerging IT centre an offshoot of Mysore. Robert Conrad, partner in another such venture, Co-Merge Workspace, explains to UT San Diego why coworking is the future: "One, technology enables it. With all that technology offers, beyond face-to-face interaction there's no reason to have an office. It's much more effective to have people work wherever is most productive for them. Two, there's a lot of value in this to big companies. It can reduce the real estate costs, and they're more likely to retain talent if they allow employees to be more flexible about where they work."

Case study Sprout Box Mysore

Setup in 2015 with the Goal of Building World Class Infrastructure, that worked for Indian Customers, Backing it up with Award Winning Services, and our Decades of Experience running Customer Service Based Organisation, Rajeev Gupta and Gagandeep Sapra – Co-Founders Setup the First SproutBox in Gurgaon and opened doors in June of 2015. Amongst the pioneers in the Industry, SproutBox grew rapidly and now we are amongst the largest space operators in India. With Over 25,000 Square Foot Operational at the Start of 2018. We expanded Down South in 2019, with our 5000 Square Foot Co Working Space in Mysore, and are looking at having nearly 100,000 square Foot in operation by the end of 2021.

Conclusion

The concept of Co working space is a boon for the young budding entrepreneurs who used unorganised locations for discussions meeting etc. The Co working space can also be brought out in colleges, university campuses and also in the private university and should be prompted among youth at more economical cost to add to the generation of more jobs and entrepreneurship. Government should support with funding and other single window clearances at these locations for the successful implementation of the Entrepreneurial dream. Co working spaces offer various streams of making money that can be turned into a source of profit for the space operators. At the heart is revenue generation by renting the space to start-ups and companies, through monthly rentals or pay-per-seat models. Membership fees vary based on the type and amount of services availed by the users and can be collected on a daily, weekly, monthly, quarterly or yearly basis. Meanwhile, the amenities and services co-working spaces provide to the users also include those in partnership with local businesses like local gyms, technical equipment providers, caterers, etc. Designing membership packages and subscriptions best suited for the users as per their needs is a way to extract the best value from the system. Another mode of revenue generation is leasing space for events like conferences, seminars or community-based events.

Co-working spaces have now moved beyond their initial role of acting as providers of flexible, vibrant workspaces. Today, they are acting as business enablers for start-ups as well as large corporate. The massive



increase in space leased by large corporate as highlighted in this report is an indication of their growing importance in Corporate Real Estate. While concerns on data security remain, the operators are fast trying to address these through additional security measures adopted in areas tailor-made for meeting this requirement. Co working operators are enabling corporate and entrepreneurs to focus on their core competencies by taking away from them the load of managing real estate. About FICCI Data security and privacy issues: Perhaps the greatest barrier to co-working is related to security. For companies dealing with high volumes of confidential data, sharing space with external organisations or easing the rules for using personal devices can be potentially challenging. However, effective policy frameworks and procedures can help mitigate risks. However, the pickup in activity in the co-working sector in India is expected to continue, with service providers offering newer and better-equipped co-work spaces and occupiers continuing to have notable interest in flexible office space. Co working is a cost efficient way of creating a flexible environment, but, most importantly, it can provide a range of intangible benefits for companies looking to improve their competitive position. The ability to maintain strong relationships with existing tenants and attract new tenants will be increasingly important for developers/ property owners and service providers. Potential impact on branding and culture of the corporate, particularly brand dilution.

Orthodox attitude of Stakeholders: Land and property owners, who have not been able to understand and accept the co-working model, may remain cautious about leasing their assets to co working operators and miss significant revenue opportunities. The large segment of millennial, (India is the youngest start-up nation where 75% of the founders are below 35 years), offer key opportunities for co-working operators. Millennial are hard-wired to change, demand agile workspaces and vibrant ambience. While much of this is already in place in metros, co-working operators are now also gearing themselves up for geographical expansion to fast evolving tier II cities. We hope to see this sector play an increased role in corporate real estate as well as in the start-up community, balancing these varied demand drivers, which will assure continuous growth.

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