

## Driving Corporate Innovation: Investigating the Coworking-Like Movement Within Organizations

Corporations needing to innovate often struggle to have the right talent at the right time in the right quality, quantity, and composition. Additionally, while traditional corporations with their infrastructure, established culture, and hierarchy may be best for processes and organizational management, these same things can stifle innovation.<sup>1</sup> Coworking, on the other hand, seems to meet the increasing need to innovate. With this in mind, corporations are now setting up their own coworking-like spaces with cool and hip furniture, abundant amenities, and freeform or chaotic layouts. What better way to have a coworking-like culture than to create one's own, in-house? Haworth investigated this growing phenomenon. As it turns out, there is much more to it than creating cool spaces.

<sup>1</sup> Bauer et al., 2014.

In a 2016 joint white paper, Fraunhofer IAO and Haworth reported corporate responses to the coworking movement. These include predictions such as coworking in an association of enterprises and booking startups to develop ideas and products. Each, with a larger purpose: to innovate.<sup>2</sup> Curious, we at Haworth wanted to know: What can corporations learn from successful coworking spaces and use to implement in their own spaces? What are their drivers to create such spaces? What are the benefits, expected or unexpected? And perhaps more importantly, how can success and performance be measured to roll things out on a larger scale? We conducted a study of corporations that implemented some of these coworking-like solutions. And, while distinctly not coworking per se, these solutions try to capitalize on the key features that make coworking so successful for innovation.

Our findings describe these solutions, their drivers, key features, and how success is measured. Understanding these insights may help accelerate innovation within your own organization. But first, here is a brief primer on the global and market conditions under which organizations are operating and how the coworking movement is influencing today's corporations.

### A Perfect Storm

We are at the brink of the fourth industrial revolution, where the changing nature of work and flexible work are heavy influences.<sup>3</sup> These influences present four challenges organizations must manage as they seek to innovate:

#### Disruption

Tolerating, managing, or fostering organizational disruption to, in turn, disrupt markets.

#### Risk

Managing risk via closed innovation (e.g., Apple with control) or open innovation (e.g., Google with hedging) or somewhere in-between.<sup>4</sup>

#### Space

Managing the ability to work anywhere while encouraging proximity amongst peers.<sup>5</sup>

#### Place

Managing the infrastructure that supports an organization—using existing infrastructure in city centers or building what they need in the suburbs.

These four challenges have created a perfect storm, forcing corporations to rethink the role of their workplaces in innovation; they're thinking more like those that built the coworking movement.

## From Freelancing to Commercial to Corporate

### The Evolution and Adoption of the Coworking Philosophy

#### The Coworking Social Movement

The first coworking spaces were fueled by a social movement of freelancers and remote workers getting together, out of isolation, and sharing the rent of a larger space. They also found that working together and coordinating their expertise prompted unexpected innovation.<sup>6</sup> From this social movement arose the Coworking Manifesto,<sup>7</sup> capturing the essence of what makes coworking work so well.

#### Coworking Small Businesses

The next wave of coworking saw small businesses capitalizing on these very human needs for belonging and social interaction. Smart entrepreneurs hosted coworking spaces to make a profit—both locally and nationally. Open to the public, these spaces were—and continue to be—membership-based, attracting freelancers, startups, and some corporate employees as members.

#### The Consumerization of Workspace

The consumerization of workspace followed when the frontrunners of coworking spaces grew into behemoths, such as WeWork, with its unimaginable \$20+ billion validation in a mere eight years. These coworking spaces are similar to small coworking businesses, with the goal to make profits. However, given their upscale or corporate feel, they usually target and attract corporate clientele. These spaces are a good choice when a company wants to open an office in a new country or region, as they offer more flexibility than traditional commercial leases.

#### Corporate Coworking?

We're beginning to see not just commercial coworking, but also corporations adopting a coworking-like philosophy in their own workplaces. Why? To improve innovation—otherwise, they'll get left behind.

<sup>2</sup> Rief et al., 2016.

<sup>5</sup> King, 2016.

<sup>3</sup> Davis, 2016.

<sup>6</sup> Rief et al., 2016.

<sup>4</sup> Rogers, 2010.

<sup>7</sup> The Coworking Wiki, 2017.

## The Coworking Manifesto

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, 2017

## Crossing the Chasm

While there are many corporations trying to replicate the success of coworking within their organizations, two approaches rise to the top:



### Open Houses

Corporate space open to any consumer



### Campsites

Corporate space available only to invited parties

### Open Houses

These spaces are interesting hybrids; companies open their office spaces to the public, usually free of charge. There could be many reasons for this (such as excess space), but the goal is usually exploratory in nature, discovering ways to improve marketing or sales—not simply profit from rent. Some are heavily branded, while others are less so. Drop-ins from the street are welcome. They seek to capitalize on familiarity. Regular users might end up using the company's services down the road, given the exposure to the organization and products or services.

### Campsites

These spaces are occupied by invitation-only, and almost always involve both internal employees and external users. The goal is usually to innovate or to transform the organization. These kinds of corporate "sandboxes" are small enough to take higher risks and experiment. Set up as temporary spaces on the periphery, away from office politics and the corporate mindset, they are allowed to fail, recognizing that learning from failure brings value.

## Our Findings

Drawing from site visits and interviews with 15 organizations in North America, Europe, and Latin America, we were able to define primary drivers, users, and sponsors of this movement. Next, we found key features shared by successful endeavors, including culture, community managers, and space design. Lastly, while there were various ways to measure success, all of the organizations found hidden benefits from their efforts.

### Why Create an Open House or Campsite?

#### Three Primary Drivers

The reasons for building coworking-like spaces vary widely but can be classified by three primary drivers.

## 1 TRANSFORMATION

*Creating controlled, purposeful disruption, and provoking change by establishing a proof of concept.*

This helps transform products or businesses. For these corporations, experimentation is paramount to find new ways of working and doing things. Often, they are thought of as "living labs" where testing and learning happen every day and by closely watching space, management, and collaboration.

## 2 INNOVATION

*Creating a startup ecosystem.*

By bringing in startups, co-locating them with internal employees, allowing for cross pollination, co-creation, and discovery—and making things together (including mistakes)—organizations hope to capitalize on innovative ideas. Many CEOs of large corporations want to create a startup mindset within their organizations. Bringing in actual startups can make this much easier. Their motto is "fail quick, fail cheap, learn from the mistakes, and refine." Everyday activities include incubating and prototyping. A highly collaborative environment encourages learning by doing and sharing with an open mindset. Organizations can hedge risks by placing it outside of the parent organization: "It's not we who failed, it's the startup; after all, many do."

## 3 FUTURE-PROOFING

*Exploring the future of work or an entire industry.*

Looking further than the company's current products, services, and expertise—into other domains—these corporations push boundaries to explore beyond what has previously been considered. Externalization is key to exploring how established company values can be applied to new problems. Engineering serendipity,<sup>8</sup> as well as collaboration across diverse domains, are common features of innovation that happen at the boundaries. These spaces are purposefully not branded, nor do they contain any of the company's current products. At first glance, they look like they have nothing to do with the parent organization at all.

<sup>8</sup> Lindsay, 2014.

## The take away here is this:

Having a clear vision of a space's driver guides who is in the space, what culture gets manifested, and how success is measured—which is important if it is to be scaled up to the parent organization.

### The People Using the Space

Spaces are almost always temporary; so are their users. The length of the stay needs to be long enough to gain new insights, but not so long that perspectives get stale.



*Users usually work six to nine months on specific projects, before moving on to their next gig or back to their "normal" jobs within their parent organization. In rarer cases, the duration can be up to 18 months.*

The temporary disposition of the occupants is quite important for success in that it is the revolving nature of membership in a coworking network that provides fresh insights, knowledge, and access to subject matter experts that lead to projects, products, and even markets for products and services.<sup>9</sup>

Besides employees from the host organization, there can be startups, entrepreneurs, freelancers, researchers, and academics. However, especially for campsites, there may be a careful vetting process for every user. Selection can be based on expertise, personality, openness, and/or cultural fit. In other words, these can be highly curated communities.

Newcomers are often prepared by community managers. Such preparation can involve one or more days of immersion to mutually experience working together, where "show me how we can work together" has more meaning than "show me your credentials or resume." Need a paralegal, a copy editor, or a graphic designer? With a wide variety of users having different areas of expertise, people with these skills can be readily available.

### The Sponsors of the Space

Executive sponsors who fund these spaces can range from functional VPs (such as HR or Marketing) to CEOs to founders. Expectations for success depend on the sponsor. While a VP of HR might expect a cultural transformation, an R&D director may want to create the "next big thing," or a CEO might be looking for speed to market or financial ROI. Regardless, the higher the rank of the sponsor, the greater the chance of continued endorsement of the space.

Also, sponsors must be comfortable with uncertainty and ambiguity and be bold, themselves. These spaces come with much higher risks in terms of security, confidentiality, or conflicts of interest. If multiple companies co-create a space, ideally, it should be co-sponsored by each company.



This was the case in one example, where several CEOs decided to do just this—while playing golf. Their legal departments vehemently opposed the idea, but the CEOs pushed things through and successfully funded the project.

### How They Foster Success

#### A Differentiated Culture

The culture of these spaces widely varies, but there is one thing in common: The culture is intentionally different from that of the parent organization. Often present is a hidden agenda to shift the parent organization's culture. While cultural change is notoriously hard, bringing in startups with a very different cultural mindset can ignite change, especially when they are successful. While cultures within these spaces vary, there are a few common characteristics:

- Diversion from usual processes
- Higher risk taking
- Family spirit and a sense of community
- Trust and common sense over formal policies
- Open mindset to accept viewpoints of others
- Being curious with a willingness to learn
- Self-initiation/self-regulation and a "do-it-yourself" mentality

Not surprisingly, these characteristics also better facilitate the hallmark activities of creative groups, such as knowledge sharing, constructive conflict, and welcoming outside influences.<sup>10</sup> The formation and support of these cultures, however, is not entirely organic.

<sup>9</sup> Rief et al., 2016.

<sup>10</sup> Johnson and Scott, 2017.

**Carefully Crafted Communities**

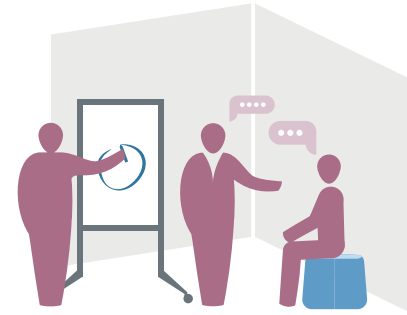
“Community manager” is not a common phrase used to describe the role of those who craft these communities. Instead, they often are called “feel-good manager,” “user experience manager,” “community curator,” “concierge,” or “vibe manager.” These managers play quite an active role in the overall success of the space. They handle user selection, vetting, onboarding, and connecting new users with existing ones. Creating and supporting the culture of the space is their role, too—so is finding ways to encourage people to bring out the best of themselves, and occasionally arbitrating conflict. A growing area of responsibilities includes organizing and hosting events. All these responsibilities are usually managed by a single person and, given the myriad of responsibilities, there is a laundry list of desirable characteristics:<sup>11</sup>



It’s no wonder community managers have an extremely high turn-over rate—typically yearly, or more rarely, every other year. However, based on user satisfaction surveys, the top reason users like a space is due to its community manager, with design of the workspace as a close second. As one would imagine, coworking experts continuously discuss the challenges of hiring quality community managers. Indeed, it is a tough role to fill, but community managers can make or break the success of spaces.

**Differentiated Spaces Where Flexibility, User Control, and Serendipity Reign**

Since an organization’s workspace communicates its culture,<sup>12</sup> design of the space is fairly intentional, but not over-thought. Just like culture, the designs vary quite a bit, but they are distinctly different from the corporate brand of the parent organization. Rather than worrying about corporate branding, or how a space looks for visiting clients, it is okay to make a mess, leave a mess, and draw on the walls, the floors, or on any surface—if it helps with generating and capturing ideas. Here, the processes and work are more important than a corporate brand. With the actual space being the second-most important feature to the users, inspiring design and natural light ranked at the top of user satisfaction surveys related to space design.



*Some of the common qualities of coworking space design include a grassroots-style, informal, or temporary feel. Flexible, multi-use furniture pieces, such as chairs, desks, whiteboards on casters, and easily reconfigured movable walls are preferred. Perhaps most importantly, these spaces are highly user friendly.*

While the space may seem chaotic, its design is, however, quite thoughtful. Often, the design provides its users with a variety of spaces to work alone and together, taking special care to design for serendipity and chance encounters amongst a wide variety of users. These are the “planned” unplanned meetings that take place in the kitchen, at a coffee bar, or in another communal space. To increase chance interactions, these amenities are usually centralized or strategically located. A healthy dose of user participation also happens during both the concept development and the design of the space. This process is straightforward: Observe, analyze, understand, roll out, and then—if possible—multiply.



Economies of scale call for at least 8,000 to 10,000 sq. ft. of space; under that size, it is difficult to incorporate the variety of spaces needed to establish and develop a creative and innovative community.<sup>13</sup> Interestingly, this threshold holds true for building out commercial coworking spaces, too.<sup>14</sup> Included in the variety of spaces, the ratio of individual to collaborative space varies by driver and can range from 20/80 to 80/20 percent, respectively.

Due to budget constraints and the experimental nature of the space, the designing, contracting, and building of it are usually managed internally at the host organization. But, to avoid programmatic or branded solutions, commercial real estate or facilities management departments purposefully do NOT do the design. Remember, the goal is to be different.

11 Aubrey, 2016.

14 Bauer et al., 2014.

12 Kupritz, 2017.

13 Johnson and Scott, 2017.

## Measuring Return on Investment

Just because these spaces may be about experimentation, that doesn't imply that measuring their performance is ignored. While a functional VP may fund such an experiment, if these spaces were to roll out on a corporate scale, a CEO wants to see a solid business case. Again, dependent upon the driver and the parent organization, measuring ROI for these spaces falls into one of four categories:

### No Metrics

Speculative learning processes with lots of iterations are difficult if surrounded by metrics and three-year plans. While it may not have a specific ROI metric, the space is still expected to deliver in terms of new knowledge and experimentation. The risk, however, since results are not predefined, is that success lies in the eye of the beholder—and sometimes the beholder's expectations are extraordinary.

### Soft Metrics

Here, ideas and innovation are more qualitative and act as a proxy for quantitative, or "hard," metrics. They include user satisfaction or experience surveys and/or pre-post questionnaires and interviews that address issues such as: flow of creative ideas, the social quality or socially driven nature of space, friendship and collaboration opportunities, engagement, and learning experience.

### Hard Metrics

These include actual return on investment, number of workshops done, or prototypes made. They also measure financial impacts from projects/workshops and the speed of getting things done (e.g., one space in an organization completed two months' worth of work within two weeks).

### Deferred Metrics

Impact is measured in longer terms where, at the onset, the most important thing is to have some success and to minimize the depletion of cash resources. However, corporations with this approach also realize that to continue, and eventually scale successes, a business case is useful. Just not yet. It would only get in the way.

## Hidden Benefits

Regardless of the driver, all organizations experience one or more of three types of unexpected benefits: building social capital, creating multi-use space, and business-related benefits, including attraction and retention.

## SOCIAL CAPITAL

Expansion of networks beyond the organization and viral enthusiasm from surrounding startups lead to increased collaboration, even among solitary employees. Some people formed emotional bonds with others through communities, resulting in friendships that survive space closures.

## MULTI-USE SPACE

Beyond providing space for work, the coworking spaces are also used to host very popular events, such as monthly learning opportunities, and act as a retreat for employees of the parent organization seeking distance from office politics (or just wanting to be undisturbed). These spaces turn out to be excellent neutral ground for negotiations; after all, it is hard to get into an unproductive ego-fight while breaking bread together at a communal kitchen table.

## BUSINESS SPACE

These benefits include excellent attraction and retention rates for the host organization. New talent interviews are often held in these spaces to successfully entice candidates. Even corporate clients, after hearing about these spaces, ask to meet there instead of the usual corporate meeting rooms or offices.

## Success Stories and Lessons Learned

The corporations have nothing short of a long list of various success stories to share, from new methodologies or practices inspired by the startups to innovative products co-built well beyond the "normal" capabilities of the host organization. Some even managed to cut product development time by 30-40 percent. There is usually a long wait list to get in; building more spaces turns out to be a surprisingly easy sell to CFOs or CEOs when presented with the success and lower space costs compared to traditional shared workspaces.

Not all the spaces, however, have these success stories. They do occasionally fail, small or big, and learning from such failures can be just as important as succeeding.

## The Importance of Space

Some companies learned about the importance of space the hard way: Spaces cannot look like other spaces at the organization's corporate office; if they do, users won't come, there will be no "magic" felt in the space, and culture will most likely default to that of the corporate office. They also found the learning process never ends: It is not about getting the space right from the beginning; rather, it's more about trying new designs to accommodate changing needs. Contrary to how they might seem, these spaces are not entirely about working together; people also need individual focus time and spaces must be designed and available for such purpose.<sup>15</sup> More specifically, some mentioned the need for more common "watering holes," and the need for flexible rooms to accommodate larger groups for occasional events.

### **The Importance of Community Managers**

Community managers are the glue for these communities; when they leave, the success of the spaces is often in jeopardy. Some spaces we studied had to close. Most companies agreed that community curation was even more important than trying to get the space right, and that community managers played a key role—some learned the hard way, when it was too late.

### **The Importance of Culture**

Culture trumps strategy—every time, anytime. It still was not culturally acceptable at some organizations to work from elsewhere, indicating trust issues. Others had employees who became depressed after having to go back to their previous corporate work environments when they had spent a length of time at the coworking space. Also, some learned the hard way that users must be selected based on well-defined criteria, including cultural fit. This is especially true for the very first group to use a space, as their culture will often define the prevailing culture.

### **What's Next?**

Most corporations mentioned diversification, looking at other potential participants with various backgrounds to further expand the innovation mindset. They considered such spaces cyclical in nature: In a short time, startups either outgrow the space or go out of business; they move on and new ones come in.

Most also considered their space a prototype, planning to expand by scaling these spaces across their organizations. Part of the scaling process included developing a business model to move from experimental labs to a durable model that can be rolled out and sustained at other locations. They understood economies of scale dictate that one space is too small to change the perception of the entire organization, but it was a start.

### **Summary**

Bringing a coworking philosophy into an organization is more than just inviting startups or creating a hip, chaotic work environment. Companies may need to forgo several core cultural values—prioritizing self-directed learning and working with each other in organic ways, investing in building communities and relationships built on trust, and encouraging boldness and “value ecosystems,” rather than value chains. To be ready, a company must be clear in its driver, taking care to foster success through intentional spaces and cultivating a distinct culture with a strong community manager. Success is dependent upon so much more than just a “cool space.”

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*Haworth research investigates links between workspace design and human behavior, health and performance, and the quality of the user experience. We share and apply what we learn to inform product development and help our customers shape their work environments. To learn more about this topic or other research resources Haworth can provide, visit [www.haworth.com](http://www.haworth.com).*

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