Co-working spaces for promoting entrepreneurship in sparse regions: the case of South Wales

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Routledge
Taylor & Francis Group

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Co-working spaces are creative and energetic places where small firms, freelancers and start-ups, who have become tired of the isolation of their home offices and the distractions of their local coffee shops, can interact, share, build and co-create. Based on the existing literature and under the wider definition of co-working spaces, IndyCube and the Welsh Innovation Centre for Enterprise (Welsh ICE) can be identified as such in South Wales. These spaces provide support (moral, emotional, professional, financial) and facilities (infrastructure) to enable entrepreneurs to start and grow their businesses. This paper aims to provide an empirical exploration of whether co-working spaces can promote entrepreneurship in regions with sparse entrepreneurial environments by creating the hard infrastructure particularly designed in such a way that the soft infrastructure necessary for entrepreneurship can also emerge.

Keywords: entrepreneurship; co-working; community; South Wales

Introduction

Entrepreneurial activity requires both a supportive and a productive business climate, and also a physical environment where creativity and innovation can flourish. Successful entrepreneurial behaviour is also supported by a strong and diverse knowledge base, well-developed business and social networks, and an ability to identify opportunities (Lee, Florida, & Acs, 2004).

One of the most recognized tools for enterprise creation and development are business incubators (Tötterman & Sten, 2005). Besides public sector models, many different forms of private sector managed workspaces are emerging to support the soft and hard elements of entrepreneurship.

Co-working spaces are one type, particularly designed to encourage collaboration, creativity, idea sharing, networking, socializing, and generating new business opportunities for small firms, start-ups and freelancers. They are flexible, shared, rentable and community-oriented workspaces occupied by professionals from diverse sectors.

Co-working spaces have been developed mainly in larger cities, with little known about how they work in sparse regions and smaller cities. Thus, this paper aims to provide an empirical exploration of whether co-working spaces can promote entrepreneurship in regions with sparse entrepreneurial environments by creating the hard infrastructure particularly designed to support the appropriate soft infrastructure for entrepreneurship.

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This paper reports a eight-month study of co-working practices at two co-working sites in South Wales, UK, examining the member community, their motivations, expected outcomes and perceived business development benefits. The two spaces, IndyCube and the Welsh Innovation Centre for Enterprise (Welsh ICE), represent different models: IndyCube sites host self-managed autonomous communities where natural relationships emerge in bottom-up ways, whereas ICE is particularly designed to facilitate interactions among members.

The paper concludes that it appears that the simple co-location of members is not sufficient to facilitate interactions and cross-fertilization. Instead, community facilitators are needful to create different engagement modes to stimulate encounters and collaborations inside the trust-based community-oriented environments. Other findings revealed that co-working spaces are context-dependent workspaces; and the appropriate co-working model in towns/regions with weaker entrepreneurial environments is a hybrid approach combining the incubator and accelerator space concepts.

Case study context: Wales

Wales has traditionally been viewed as having one of the weakest entrepreneurial economies in the UK (Welsh Assembly Government, 2005), lacking positive public perceptions of entrepreneurship, little incentive for encouraging entrepreneurial behaviour, limited entrepreneurial education, and fragmented and short-term business support (Welsh Assembly Government, 1999).

Wales's main industries previously related to coal and steel, but their decline saw Wales start to begin economic diversification based on manufacturing and services (Pickernell, 2011). Wales's post-war modernization combined public and foreign inward investments (Cooke & Clifton, 2005). From the mid-1990s, policy shifted towards business support, technology transfer, skills development and indigenous entrepreneurship (Morgan, 1997).

The 1993 *Wales 2010* report (Institute of Welsh Affairs, 1993) set out a vision and programme for developing an enterprising culture, and made the first calls for the development of a 'regional enterprise strategy', the Entrepreneurship Action Plan, the first of its kind in Europe (Welsh Assembly Government, 1999). Its impact is highlighted by the fact that the number of new firms created in Wales in 2002–05 increased by 21% compared with 13% for the UK (StatsWales, 2005).

Policy focus 2005–11 shifted away from entrepreneurship. One example is the Technium Programme that failed due to replicating old incubation processes Cooke & Clifton (2005), highlighting the importance to Wales of soft entrepreneurship infrastructure (e.g. networking and collaboration). Effective policy in Wales simultaneously needs to support soft aspects whilst providing suitable physical infrastructures for optimising flourishing enterprises.

Since 2011, entrepreneurship has risen back up the policy agenda with distinct programmes including access to finance, high potential start-ups, business support and entrepreneurship amongst young people (Rhisiart & Jones-Evans, 2015).

Third (work)places/spaces and their variations

In recent years, 'third places' have emerged to replace offices, according to Oldenburg (1989) serving as focal points of community life, combining several conditions facilitating informal meetings, enabling creative social interactions through openness, flexibility,

viability, conviviality and accessibility. Third (work)places/spaces are locally owned, independent, free or cheap, involve regularity, and are based on steady-state business (Oldenburg, 1989; Sundsted, Jones, & Bacigalupo, 2009).

'Third (work)place/space' is a generic term with the literature defining and naming different phenomena: experimental spaces, hubs, maker spaces, hacker spaces, fablabs, co-working spaces, interaction spaces, future centres, shared spaces, serviced offices, innovation studios, experimentation spaces, incubators, accelerators, creative platforms, concept factories, living labs or innovation gyms (Bason, 2010). However, they have significant differences in the field of work, business model, services, hosted community, nature and mode of operation, amongst others (Table 1).

Table 1. Key characteristics of selected workspaces.

Types	Purpose	Space	Model
Co-working spaces (creative industries, e.g. design, media, arts, software development)	Implementing creative boundaryless work and learning by collaboration	Different for every space, often only an open space with rentable desks, meeting rooms, coffee corner, private offices	Desks can be rented on a different basis (daily, weekly, monthly). Use of meeting rooms is included in the membership or can be rented for an additional fee
Incubators and accelerators (internet, mobile, information and communication technology and media)	Providing capital to commercialize potentially innovative business ideas or business models	Similar to co-working environments	Run as a business for profit or not for profit, accommodate start-ups, provide services, mentoring, coaching and advice
Serviced offices (start-ups, small businesses, travellers, companies – high-tech and service industries)	Providing high-end office infrastructure and front-office support for tenants to rent a desk on various options	Similar to co-working environments	Provide office infrastructure and front-office support for clients – all is included in the membership

Source: Adapted from Jackson (2013) and Schmidt, Brinkhoff, and Brinks (2013).

Co-working is an expanding global phenomenon mainly in urban areas. Recent statistics suggest the number of co-working spaces grew on average by 4.5 spaces every workday. Today, there are 5800 co-working space worldwide hosting some 295,000 co-workers (Foertsch, 2014). The literature identifies many types of co-working spaces. There are classifications by target audience (diverse, specific), operating mode (organic, facilitated), relation to other organization (university, company, incubator), and size (small, big, large).

Co-working spaces are collaborative work environments providing support (emotional, professional, financial), shared flexible facilities, and access to a broad network for a diverse group of professionals and entrepreneurs starting and growing businesses while working 'alone together' (Spinuzzi, 2012). These professionals share the values of 'collaboration, openness, community, accessibility and sustainability' (Kwiatkowski & Buczynski, 2011, pp. 19).

Co-working provides a solution to 'professional isolation' (Spinuzzi, 2012): sharing a common space provides community to those who otherwise would not enjoy relational support while working from home. Amongst other benefits (flexibility, being able to mingle and work with like-minded individuals, better work–life balance, greater job or career satisfaction), community, a sense of belonging, is also found to be critical in stimulating business development (Spinuzzi, 2012). According to a recent survey, co-workers reported the most attractive features of being based in co-working spaces were 'social interaction' (84%), 'random interaction and opportunities' (82%), and 'sharing information and knowledge' (77%) (Deskmag, 2012).

Being surrounded by entrepreneurs on a daily basis, co-workers are constantly learning and growing (DeGuzman & Tang, 2011). Knowledge sharing is one of the greatest benefits for members (Parrino, 2013), both formal and informal, including participating in professional workshops and attending social events. Entrepreneurs and businesses can access other professionals involved in related or complementary work, thereby lowering barriers to trying out new ideas, and reducing transaction and information costs (Pearce-Neudorf, 2014).

Flexible work settings and design leave members free to decide how they prefer to use the space and its features which facilitate the spirit of sharing and cooperation (Fabbri & Charue-Duboc, 2014).

Most activities tend to happen naturally, although community facilitators may play an important role in creating different modes of engagement that stimulate interaction, networking and collaboration among members.

Methodology

There are two co-working spaces in South Wales that fulfil the criteria as defined above: IndyCube (currently 22 sites across South Wales) and the Welsh ICE in Caerphilly.

Primary research conducted between May and October 2014 included a combination of qualitative and quantitative research methods. Founders/owners were asked to provide information about their motivation, philosophy and model as well as the tools used to support member companies to develop, interact and collaborate. Based on the initial findings from the qualitative research, an extensive questionnaire was developed for members to understand their motivations for joining, the benefits of being a member, the areas that could be developed further, and the tools used by operators to stimulate their activities.

In this paper, three semi-structured interviews (two IndyCube and one Welsh ICE founder) and 46 completed questionnaires were used to illustrate co-working practices in South Wales.

Co-working practices in South Wales

Welsh ICE and IndyCube represent two different approaches, with different target groups and organizational purposes (Table 2).

Table 2.   Key characteristics of Welsh ICE and IndyCube.

	Welsh ICE	IndyCube
Location	Caerphilly	22 spaces across South Wales
Purpose	Providing creative community-oriented environment for entrepreneurs	Providing high-end office spaces where communities can form naturally
Number of members	150	200 at any given time
Reasons for joining	Social and enjoyable atmosphere (70%) Vibrant community (50%)	Good office infrastructure (56%) Interaction with others (37%)
Tenants by professional activity	Entrepreneurs and start-ups (early and mature stage) (38%)	Entrepreneurs and start-ups (mature stage) (41%)
Tenants by sectors	Professional, scientific and technical activities (33%) Information and communication technologies (33%)	Arts, entertainment and recreation (48%)
Type of memberships	Varied	Varied with the opportunity to use any IndyCube site
Workspace layout	Open office Private offices Meeting rooms Canteen Coffee shop	Open office Meeting room Coffee corner
Services	Business address Reception – front-office services Use of office infrastructure Broadband Discount in canteen and coffee shop Mentoring, training Professional events (organized by staff)	Business address Use of office infrastructure Broadband Professional events (provided by IndyCube Venture)
Types of support	Financial – public and private sector Trainings Social and professional events	Financial support through IndyCube Venture
Model	Unique mix of incubator and co-working space Strongly linked to public sector	Accelerator and co-working space Independent from public sector

Source: Author's own construction based on primary research.

IndyCube

IndyCube is a co-working space provider with 22 co-working sites across South Wales. At the time of writing, more than 200 workers operated out of IndyCube's sites in any given month. Members had the opportunity to work in any co-working sites across South Wales; this allowed members to integrate with other local communities, to share knowledge, socialize and build networks.

Semi-structured interviews with founders highlighted that IndyCube provided spaces for established enterprises to work alongside each other. Members were encouraged to make the offices their own, each location's 'character' being created by the people who work there. Founders reported believing that members did not need to be 'managed' by community hosts or moderators, but that the majority of collaboration tended to happen within the office in a bottom-up way.

However, results of the questionnaire survey revealed that 'getting a community spirit' was not the primary motivation for most IndyCube users. The main reason members gave for joining was opportunities to meet potential investors (via IndyCube Venture), and because IndyCube provided high-end office infrastructure. The qualitative research findings revealed that the level of collaboration, community activity and social events within the IndyCube spaces were relatively limited. This was supported by the questionnaire, where 90% of members said they would be interested in more events (social, networking, professional); 75% said they had not started collaboration with a fellow co-worker. Other findings revealed that 70% of members would be interested in mentoring to support further the development of their entrepreneurial activities.

IndyCube sites in most places consist of an open office, coffee corner and meeting room(s). However, members generally agreed that the shared office environment helped co-located entrepreneurs to overcome loneliness; the research also found that members wanted more space for socializing as well as for privacy and self-reflection that would help to develop particular skills and support different activities.

Members also highlighted the diverse member mix and the possibility to use any co-working sites across South Wales as strengths of IndyCube enabling them to connect people from diversified lines of businesses and other communities. A total of 80% of members did report an increase in income, and 60% said they felt more productive since working in IndyCube.

Welsh ICE

Welsh ICE is home to more than 85 companies and more than 150 workers at its Caerphilly centre. Half its members are funded by the Welsh government, and the staff can also assist members to reach other kinds of financing.

Welsh ICE was created to foster connections and synergies among member businesses in a creative environment. It included an organizational platform composed of events designed to create connections among members; a newsletter with information and news about the co-workers and the activities organized in the space; and staff managing and operating the space, selecting members and facilitating interactions and relationships.

Welsh ICE supported graduate entrepreneurship in two ways: it assisted talented young people to start their businesses through funds and mentoring, and encouraged member companies to hire youngsters. Based on the findings, more than 60% of ICE population belongs to age group 21–26 years. ICE was mainly rented by small start-up companies: 38% of the members were entrepreneurs (sole trader) and 38% working for

small companies (more than five employees). A total of 75% of those working for small companies (more than five employees) are aged 21–26 years.

According to questionnaire survey, ICE members' main reason for joining was that it provided a 'social and enjoyable atmosphere' and a 'vibrant community'. ICE offered opportunities/events to co-workers to get to know each other, to connect to the public and to ensure the inflow of external knowledge. A total of 44% of members started collaboration with a fellow co-worker.

Members also highlighted the supporting role of common areas (coffee shop, canteen), enabling them to meet other like-minded people. However members believe that being co-located was only one condition to networking and collaboration. ICE staff were regarded as central figures in supporting trust-enabling networking and social interactions among members.

Conclusions

Co-working spaces are shared, proactive and community-oriented workspaces rented by a diverse group of professionals from different sectors. They emphasize intangible factors and social aspects including entrepreneurial networking, mentoring (from fellow members, hosts and networks) through flexible, informal settings, which enhance possession, access and use of different forms of capital (social, human and financial). A commonly cited reason for joining co-working environments is fostering networking practices and social interactions enabling developing entrepreneurial activities. Stimulating these soft elements may be organic or facilitated. However, as this paper has highlighted, the simple co-location alone may not stimulate networking, interaction and collaboration. Thus, hosts or facilitators play an important role in stimulating relationships and enabling more synergies to happen.

This paper provided an overview of two different kinds of co-working in South Wales. IndyCube is predicated in a belief in self-managed autonomous communities; founders provide sites across South Wales and let people use the spaces which facilitate natural relationships among them. Welsh ICE is a co-working space particularly designed to support networking and facilitate relationships, where members do not just interact but also exchange information and engage with each other on fields of interest.

Whether the natural or the facilitated model is more effective in supporting entrepreneurial activities depends on the nature and field of work of its members. The facilitated model appears to work well for communities with a high proportion of start-ups and young entrepreneurs; they more likely need a facilitated and caring environment where self-confidence and entrepreneurship related skills can more easily be acquired.

Additionally, in weaker entrepreneurial environments, co-working might be combined with other concepts such as accelerators and incubators, where the operator shapes the model and style of operation to the needs and requirements of the community. Alternatively, smaller cities may make co-working a sustainable and profitable choice by integrating it into existing business structures such as art centres, coffee shops and serviced offices.

Disclosure statement

No potential conflict of interest was reported by the author.

Funding

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