

Is co-working the secret sauce in the quest for innovation or just a real estate play?



Rodd Cunico, chief executive of Dimension Data and Tania de Jong, chief executive of Creative Universe. Luis Ascui

by [Michael Bleby](#)

Demetrio Zema is starting his own law firm. The 28-year-old has a desk in [Cluster](#), a co-working space in Market Street in central Melbourne. He also wants the commercial litigation firm, which he is calling Law Squared, to have a presence in Sydney and will base himself one day a week at [Gravity](#), a co-working space in Carrington Street, until he hires someone locally.

The cost attraction to a small business of flexible facilities is obvious. But the benefit of using co-working spaces is starting to be appreciated more broadly. For Zema, it means he has customers on tap. So too, for that matter, do all of his neighbours.

“It gives you a captive audience. It doesn’t matter what the business; everybody is after something,” he says. “It could be a graphic designer, an architect, it could be an engineer, a lawyer, an accountant, a bookkeeper.”

He’s already picked up four clients through Cluster. And he’s about to hire a bookkeeper who is based there, too.



“The good thing about these spaces is that generally people are willing to support each other. You have that network at your disposal.”

ATTITUDINAL SHIFT

It’s not just happening at the small end of town, either. The lines between entrepreneur and established corporations are blurring.

What was initially seen as a way to save on real estate costs is now changing the way even larger companies work. In the United States, co-working spaces are prolific, with [one-third](#) of all workers now classed as contractors or freelancers. “There’s been an attitudinal shift both at the corporate level and also at the sole trader, individual level,” says Stuart Brown, the chief executive of ASX-listed BlackWall Property Funds and its co-working space subsidiary WOTSO.

“If you look at what’s happened at the big end of town – the big banks, the big law firms – they’ve all gone down the path of activity-based workspace,” Brown says. “To me, that’s about dollars and cents and efficiency of use.

“A byproduct of it is perhaps collaboration between sections of business that otherwise wouldn’t generally mix because of how a traditional office fit-out works.”

That first taste of collaboration, between their own staff, has given some big corporations the appetite to test opening their premises to outsiders. If they mix their own staff with people from a faster-moving industry or sector, it creates a ready-made network to try out ideas, challenge preconceptions, encourage collaboration and perhaps drum up potential customers.

“In some cases, corporates are injecting their various workers into these environments to see how they interact,” Brown says. “It’s certainly a trend we’re seeing, where we’ve got corporate clients taking space in our collaborative workspace, and I can see that growing.”

SOCIAL ENTERPRISE

National Australia Bank has created [The Village](#), a space with Wi-Fi, desks, private spaces and meeting rooms for the free use of business customers at its 700 Bourke Street office in Melbourne. Rival Westpac has done the same at its St George subsidiary.

Social entrepreneur Tania de Jong has vacated her Creative Universe office space to move her charity into new premises being jointly developed with IT services company [Dimension Data](#). [The new space, Dimension5](#) is 1100 square metres of co-working space in South Melbourne that will be focused on developing social enterprises. DiData chief executive Rodd Cunico says there will be multiple benefits for his business.

“The larger your organisation gets, and the more process driven, the more structured it becomes; you start to wonder whether you are losing some of the strengths, the agility,” he says. “Something is happening in this idea of mixing different people together: entrepreneurs, start-ups, not-for-profits. It’s the idea that through diversity you tend to see better decisions and ideas.”

“This is a far more curated concept than a serviced office or a desk,” says de Jong. “The people approved will usually be interested in growing their business, improving their skills but also giving something back and offer time or skills back into the community,” she says.

For DiData, the D5 space will see DiData staff take start-ups under their wing as mentors to the fledgling businesses, Cunico says.

“Employees have an opportunity to do some mentoring as part of the value add,” he says. Additionally, it’s a chance to put his staff into a more agile workplace, to learn – or be reminded – how nimble start-ups work. “It’s also an opportunity to put some of my teams in that environment to see how people who are unencumbered with corporate process can innovate,” he says. He thinks the people likely to be attracted to D5 are “entrepreneurs who are slightly left of centre, innovative and on the edge”, Cunico says.

“I [usually] hire IT professionals who studied the traditional way. But we know that an overused strength can become a weakness. We believe [there is] an enormous amount of power in the diversity of different groups.”

The real estate play is obvious. The development of [a space-sharing app such as the GPT-backed LiquidSpace](#) permits pretty much any space holder – not just those with a spare floor – to lease excess real estate for short or long periods.

Cunico agrees, but says it’s more than that. “The real estate aspect doesn’t stack up on its own.”

EXPERIMENTS NEED EVENTUAL PAY-OFF

There’s a question for all corporations about how they administer any space they set up: do they make it a free-for-all, allowing all and any type of business, or do they try to focus on a certain niche, as Dimension5 will do with social enterprises.

[Rosemary Kirkby](#), Australia’s pioneer of workplace design, says co-working experiments will eventually have to show a pay-off. “If you’re going to make some investment in the future and don’t know what the future looks like, and would like to shape how people think in an open-minded way, why would you limit who comes in?” she says.

“But it is an investment and at some stage you’re going to have to expect a return, whether it be curiosity on the part of your people or a preparedness to start tinkering with things.”

WOTSO's model is to allow anyone into its space. Taking that point further, it is also developing short-hire laboratory facilities at its Pyrmont co-working space in Sydney, to allow people doing research or testing work to benefit from the existing co-working community in the building.

"The technical space is used for a specific purpose, but as an adjunct to that, there is a need in the lab environment for write-up space, breakout areas; just like any office space, we would see that flowing over into the collaborative workspace," he says.

Food technology companies, medical research groups and biotechs have already expressed an interest in the facilities, he says. Universities are moving in a similar direction. "The way those facilities are designed is to engender collaboration between people who might be working on different projects," Brown says.

The niche can matter for users, as the idea of curating networks takes hold. For Zema, the evolution of co-working facilities into distinct niches makes his business development easier. He goes for premium spaces such as Gravity and Cluster because the other clients are like him: people with experience in business, a level of financial comfort and the willingness to pay for a premium space ... and a lawyer.

"They're not new entrepreneurs," Zema says. "They have been in business for a couple of years. They have made some money.

"The baby start-ups don't have the funds to pay for proper legal advice, but there are very specific firms that cater for those clients."

The growing move to flexible workspace is boosting BlackWall, which increased its footprint to 7000 square metres last year. WOTSO's contribution to BlackWall's total topline revenue rose to 27 per cent in the six months to December from 18 per cent. It's good news for WOTSO and Brown – and his shareholders: the share price has risen 12-fold over the past year

"The permanent shift that's occurred is that short-term accommodation, be it collaborative workspace or serviced offices, was only ever regarded as a transitional service: a business transitioning up or down," Brown says.

SHARING ECONOMY

The collaborative workspace is as much of a disruption to traditional ways of work as Uber is to taxis. It's not going to replace traditional workplaces completely, at least not yet. But it shows how the sharing economy can come to industries such as professional services.

DiData's Cunico says his 3000 staff are already doing things differently. "We are starting to question the status quo, and experiment with different concepts and ideas," he says. "We're starting to question some of the traditional models and the approaches."

There is another lawyer doing similar work at Zema's co-working space in Melbourne. He says they're not competing, but rather looking at how they can share work when either has too much. Lawyers have always referred work to colleagues when they have conflicts or are overloaded, but a collaborative approach makes it a lower-cost, lower-risk way for both: "The traditional model would say: 'We need to hire somebody and charge them out,' whereas this is saying: 'Instead of adding resources, why not collaborate with another law firm?'," Zema says.

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