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| **Activity:** | Case Study |
| **Learning Objective:** | 1. To broaden students’ exposure to different forms of business through exploring the given business case 2. To consolidate students’ business knowledge learnt in the subject by identifying and synthesising ideas to solve business/management problems; and 3. To arouse students' interest in business learning |
| **Level:** | S5-6, Business Management Module |
| **Duration:** | Out-of-class – pre-study by doing information search, and answer questions after group discussion in class  In-class – Group sharing and discussion |
| **Prior Knowledge:** | Compulsory Part – 1(a) Business Environment  Elective Part – 3(a) Financial Management; 3(b) Human Resources Management; 3(c) Marketing Management |

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1. **Pre-study**

Students are required to browse the following websites to grasp a general idea on co-working space, including –

the common features of co-working space

the associations of co-working space with topics of entrepreneurs, new startups and youth, etc.

* 政務司司長出席「INDEX工創空間」開幕典禮致辭全文 (Chinese only)

<https://www.info.gov.hk/gia/general/201809/12/P2018091201032.htm>

* Space Sharing Scheme for Youth

<https://www.ydc.gov.hk/en/programmes/startup/sharing.html>

* Co-working Spaces in Hong Kong

<https://www.youth.gov.hk/en/startup/coworking-space.htm>

1. **Group discussion on case – Co-working Space**

QRoom is a co-working space located in Mongkok since 2018. It offers workstations, hot desks, event spaces, meeting rooms, etc. where has been designed to boost productivity, making it an ideal office for users. It also serves as a platform to encourage individuals and companies to come together to showcase ideas to potential investors, corporate partners and products/services users.

Under the COVID-19 crisis, many businesses, especially small and medium entreprises (SMEs) strive to survive in the adverse business environment by changing their business operations to create a more flexible and adaptive work environment. Even large corporations have approached QRoom recently to seek for a flexible work arrangement for their staff.

Partners of QRoom, Peter and Paul saw the potential of development of co-working space in the nearest future and came up with an idea to expand the business. Here is the dialogue between them in an internal meeting:

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| Peter: | Our business kept growing with the high level of profit in the past two years. I think we have enough capital, experience and readiness for expanding our business. |
| Paul: | That’s also what I’ve been thinking these days. There are many ways to expand our business, such as opening new branches, franchising our business. We have to study the pros and cons of different ways to expand our business … |
| Peter: | However, we can’t expand our business regardless of the development trend of co-working industry and the actual performance of our own business. |
| Paul: | Understood. But you see, COVID-19 has changed the employement pattern and practices. Remote working and remote virtual meeting may become a new norm for organising work. It may be a new opportunity opening up for us. |
| Peter: | You are right. Let us do more research on the latest development of the industry, such as target market, market positioning and customer loyalty, strategies to promote our services… |
| Paul: | Let’s do it and discuss further next week. |

**To think about…**

1. What are the pros and cons of the following ways of business expansion for QRoom based on the case scenario
2. open new branches in other locations
3. franchise business
4. Analyse the reasons why some SMEs and large corporations are seeking for a flexible work arrangement in the COVID-19 pandemic.
5. Explain the FOUR areas of financial analysis for QRoom to assess its business performance.
6. Describe the target market (users) and positioning of QRoom.
7. Suggest ways for QRoom to build customer loyalty.
8. Suggest ways to promote the business of QRoom in respect to the key characteristics of services.
9. **Challenging Question:**

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| 1. How does co-working space facilitate the growth of new startups in Hong Kong? |

**Suggested answer**

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|  | **Pros** | **Cons** |
| **Opening new branches** | * Quality services provided highly depend on the face to face interaction between staff and users. Opening another location with the existing staff can maintain the level of quality of services provided * Acquire a more expansive service area to attract more users and eventually sustains earning and increases profits… | * If hiring new staff, problem of maintaining high quality of services might be encountered * May not be able to find an ideal location * May not be able to maintain the level of profit in long-run in view of dynamic market environment and additional monthly expenses for running a new branch solely borne by the QRoom, e.g. rent, utility expenses * … |
| **franchise** | * Quickly expand and scale up the business / extend geographical reach at low cost * Widen the source of income by receiving franchise fee from franchisee(s) * Risk of expansion and operating costs, e.g. promotion and management expenses, shared by franchisee(s) * … | * May be difficult to maintain the standardised services as there is variance in operation across existing franchisees * Face a challenge in building up an entire franchise system to ensure the provision of standardised services across all locations * May face difficulty in selecting franchisee(s) whose interests may not align with the principal/mission of the franchisor * As geographical elements in different locations vary, both franchisor and franchisees may have diverse views on the prior principle for maintaining standardisation and the need for adaptations across locations * Franchisees may start another business of same nature and become competitor(s) after acquiring the skills and knowledge from the franchisor. |

* *Cash Flow and Cost Control* - COVID-19 pandemic has brought the normal businesses to a standstill in the past few months. In view of the volatility of the epidemic, businesses, no matter they are SMEs or large corporations, struggle to find ways to maintain cash flow through daily operations by cutting costs to survive and sustain business operations. It may not be cost effective for a business to bear the huge expenses on office rental and labour cost if the local/global business environment is experiencing a recession
* *Changing work pattern* – In order to sustain the profitability and productivity of businesses, some SMEs or large corporations would change the business model to create a more flexible and adaptive work environment that enable them to hire part-time and temporary staff without a fixed workplace and/or working time to fit more precisely the demand for manpower at exceptional times (e.g. COVID-19 pandemic)
* *Flexible work arrangement and Management Solutions*
* Office Rental is one of the major expenses of businesses, including some SMEs or large corporations. To minimise the operating cost, they may rent a smaller area together with co-working space at affordable cost where necessary IT equipment and office supplies are provided to enable online working and collaboration
* Salary is another major operating expenses of businesses. In order to tide over the hard time, some businesses might layoff staff but hire part-time and/or temporary staff on need basis to maintain business operations during the period. Co-working space does provide convenience and low cost outlet to accommodate the flexible manpower arrangement and new work pattern

To assess the business performance of QRoom in terms of its

* profitability - ability to earn profit
* liquidity - ability to meet short-term obligations
* solvency - ability to meet long-term obligations
* management efficiency - how efficiently a business utilises its assests

*Target market*

* freelancers
* entrepreneurs
* new startups
* small and medium businesses

*New target market to be explored*:

* large corporations (by providing support with digital workplace)

*Market positioning:*

* target users - target at a specific group of users, i.e. a professional group of people who seek business opportunities through the platform/social community built by QRoom;
* unique benefit offered - focus on offering services/supports to satisfy the needs of the above target users
* Provide services that meet target/potential users’ expectation

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* Satisfy the service users’ needs promptly, reliably and continuously
* providing them with timely assistance/supports (e.g. staff in reception desk)
* maintaining a high standard of interior comfort, modern furniture, computer equipment and communications technology
* maintaining the ambiance of the co-working space that bringing people together to form a community among themselves
* maintainingprivacy and spacious comfort in the co-working space
* offering some sorts of amenities/entertainment and free beverage for relaxation and socialising.

| **Key characteristics of services** | **Ways to promote the co-working space of QRoom** |
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| **Intangibility** | * Create and develop a quality website with * information the target/potential users need, * useful links to resources (e.g. blog or social media sites), * posts sharing users’ experiences on accommodation in QRoom, * online booking system to allow users to check availability and make reservation * … * Use social media, e.g. Facebook, Twitter, Instagram, Apps, etc. to engage existing and potential users to promote with pictures/disseminate updated/latest information of the co-working space and/or events * To help potential users find the website through search engines, QRoom has to ensure its official website reach the higher ranking in search results by providing the rich content the search engines need (i.e. the concept of search engine optimisation (SEO)Remarks\*) * … |
| **Inseparability** | * Though QRoom mainly provides a physical place for users to use the common infrastructure, establishing a good relationship between staff and users is important to help promote the business, satisfy users’ needs and retain users (application of concept of Customer Relationship Management) * … |

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| **Variability** | * Though the service quality relies more on how QRoom maintains its interior furnishing, ambiance of the co-working space, etc. instead of staff services, provision of consistent assistance and supports for users is considered important to retain users. Hence, staff are required to be accommodating and knowledgeable about the services QRoom provided as well as the infrastructure and amenities offered in the co-working space. * Customer retention rate is the key indicator to show the percentage of users being retained in a specific period. If decreased, variance exists in respect to the quality of the services provided, e.g. ineffective communications made between staff and users * … |
| **Perishability** | * To address the needs of users, various types of spaces can be rented for conducting different forms of events to satisfy the needs of different users. * Provide offers for different time periods on a day * Frequently disseminate events information, updated booking schedule and offers, etc. to users/potential users via the official website, social media sites and Apps, etc. * … |

Remarks\* (For extented learning): A video to introduce the concept of Search Engine Optimisation (SEO) (English only) (<https://searchengineland.com/guide/what-is-seo>)

1. **Challenging Question (suggested answer)**

* Provide flexibility in pricing structure and rental period on a monthly, weekly or even daily basis that help achieve cost effectiveness to suit new startups need without tying up the capital in office rental, whereas a traditional office space rental requires a long-term financial commitment
* Provide a suitable and affordable office space with highly functional IT and office amenities/necessities for use and save users’ cost of acquiring equipment
* Create a platform for social interaction that potentially creates business opportunities and businesses networking, e.g. meeting with clients and/or helping to bring in more people on board
* Create an ambiance to attract like-minded people seeking to start their own business or passionate about entrepreneurship in the place where cultivates and builds a co-working community. Some co-working spaces even are run alongside incubators that can help boost the chance of success of the new startups there
* …