

Independent Final Report

Coworking Space and the Local Business Practice in Vietnam

by

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Certification Page

I, NGHIEM Tung Son (Student ID 52116615) hereby declare that the contents of this Independent Final Report are original and true, and have not been submitted at any other university or educational institution for the award of degree or diploma.
All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

NGHIEM Tung Son
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Abstract

Contemporarily, the startup trend significantly affects business dynamics in the world, and Vietnam does not stay outside of this movement. Regarding this rise of entrepreneurship, coworking space is considered as a prominent type of workplace. Therefore, this report aims to investigate the effective implementation of coworking spaces in the local business of Vietnam. Through quantitative and qualitative analysis, we find out that all 5 values of coworking space, which are stated by Hillman, can theoretically effectively cultivate favorable outcomes for local business practice. Moreover, to avoid misled outcomes, practical implementation needs to have commitment to the principle of these 5 values by every stakeholder of coworking space. However, the finding of this report may not be correct since we try to reduce the complex process of measuring individual expectation in the conceptual framework by not taking potential losses into consideration.

Introduction

Contemporarily, the startup trend significantly affects business dynamics in the world. Regarding this rise of entrepreneurship, coworking space is considered as a prominent type of workplace. According to the statistical number done by Deskmag (2018), in the world, there are about 19.000 coworking spaces with approximately 1.69 million users by the end of 2018. Since coworking space is a global trend, Vietnam does not stay outside of this movement. Coworking space was first imported into Vietnam in 2012 (CBRE Vietnam Research Team, 2017), which then quickly spreads into 2 biggest cities of Hanoi and Ho Chi Minh City. After 6 years, the number of coworking spaces reached 22 venues all over the countries in 2017 (CBRE Vietnam Research Team, 2017). From 2014 to 2017, although the global annual growth rate of coworking space continued to witness a gradual decrease from 60% to 22%, the opposite was true in the Vietnamese market, when the growth rate remained at the about 50% (CBRE Vietnam Research Team, 2017).

However, because coworking space is a new term with several dimensions for its definition, so in this report we use the idea of 5 core values of coworking space, which are stated by Hillman, to standardize this office style. Moreover, although there are several empirical studies related to coworking space, there is a very small number of available researches, which look at the adaptation and implementation of coworking space in such emerging markets like Vietnam. This issue is of paramount importance since each market has its own unique features. The success of a business model in a market does not guarantee that it can work for another market, especially in the situation that there are several

differences between developed and developing countries. Hence, this report aims to seek for how local businesses can make use of coworking space in the Vietnamese market. To achieve this objective, we design the report to answer the three following questions:

Main question: Which values of coworking space can contribute to the local business practice in Vietnam?

Sub-question 1: What are the problems associated with the coworking space's users in Vietnam?

Sub-question 2: How can the 5 values, that Hillman mentions, support coworking space's users to deal with the local problems?

The structure of this report is divided into 4 main parts. First, the literature review part summarizes a basic concept of coworking space, which then goes into reasons for the rise of this office model presently. Moreover, in this part, we also provide some example of the practical implementation of coworking spaces in the world. After that, we illustrate our conceptual framework and sources of data in the methodology part. Next, in the analysis part, this report tries to uncover problems related to coworking space's users in Vietnam, and then we explain how effectively the commitment to following each of Hillman's 5 values of coworking space can cultivate favorable outcomes. Finally, we provide a discussion of how to make a practical implementation into the local market.

Literature review

2.1. The concept of coworking spaces

To begin with, coworking space was first created by Brad Neuberg in 2015 in San Francisco (Foetsch & Cagnol, 2013). The main reason for this is that he wants to combine both the independence of self-employing and the social interaction of normal jobs (Neuberg, n.d.). Therefore, he created the term coworking, which aims to be like the word “collaboration”, so the hyphen in the normal word “co-working” is deleted (Hillman, 2011 October,13).

Presently, although coworking space is a phenomenon style of office sharing in the world, it is not a term that everyone can understand clearly. Normally, open-plan offices at which people with workplace flexibility work together no matter their affiliation status are considered as coworking spaces (Open Coworking, n.d.). However, under this viewpoint, the idea of coworking spaces can be mistakenly interchangeable with the practice of other shared office’s styles (Spinuzzi, 2012).

For example, one of the earliest pre-models of coworking spaces can be seen in the case of C-base – a hackerspace found in Berlin in 1995 (Foetsch & Cagnol, 2013). This serves as a public platform, initially providing free access to the Internet and computer-related knowledge, before involving in other society-oriented activities such as the Children’s Day festival (Markham, 2015). In fact, if we use the definition of coworking spaces as shown before, this can be interchangeable with the practice of hackerspace since C-base is also an open-plan space. Anybody can work there, and they also do not care about others’ professions.

Therefore, several empirical studies and organizations try to formulate a specific definition, which can separate the practice of coworking spaces from other kinds of shared workplace. Among them, Alex Hillman (2011 August,17) supposes 5 main core values, which can support the definition of coworking space. Those are sustainability, accessibility, openness, community, and collaboration, as the following explanation:

_ Sustainability means that coworking space is dependent on no one. As for a profit model, a sustainable coworking space could grow to the point that even if no one is using it, the coworking space has already transformed to something they need in the future (Hillman, 2011 August,17).

_ Accessibility includes two dynamics, which are select in and select out. A coworking space needs to be easy to access by many kinds of workers, however, they themselves need to adapt to this environment as they select themselves in. If they cannot, the choice to select out is also on them (Hillman, 2011 August,18).

_ Openness refers to freedom, forkability¹, interoperability. Users of one coworking space should have the free choice to take on the “source” and expanding it if they want it to be. At the end, “source” takers have to contribute back to the origin and share their own “source” to keep this environment alive (Hillman, 2011 August,19).

_ Community is the people inside the space. People in the community can trust others with the sense of “togetherness” and belonging. Every community is unique and formed naturally without force (Hillman, 2011 August,20).

¹“the ability to take the “source”, of one project and use it to begin a new project. In software, the source is code. In coworking and other non-software applications, the source is lessons learned, ideas executed, and core values.” (Hillman, 2011)

_ Collaboration means a community of trust. Therefore, each member should be a collaborator. In a perfect sense, collaboration comes from both sides, one member could receive help one day and become helper other days (Hillman, 2011 October,11).

Therefore, to standardize the idea of coworking space for this paper, we suppose that a place with no barrier of entry, in which a group of independent professionals willingly works alongside each other to benefit from sharing knowledge and equipment with a high sense of support, openness, and belonging, is a coworking space.

2.2. The rise of the creative class

Although the idea of coworking space is creative and attractive, there should be some reasons for the rise of coworking spaces contemporarily. First of all, several empirical studies notice the emergence of the knowledge economy as the reflection of long-term sustainability, by which the world shifts toward technologies based on information management (Powell & Snellman, 2004). Computer and the Internet also play a vital role in the value chain of most business sectors, which in turn affects a firm's orientation (Porter, 2001). In addition, as Florida (2012) writes in his book, not only the knowledge economy but also the creative class, becomes the driven forces of the contemporary era, in which creativity is considered as more valuable than whenever in the past because of the high pace of technology movement. He describes the creative class as those who are able to conduct problem-solving or create a new form of things that can be transferable and widely used by people (Florida, 2012). This class of people often possesses a high level of knowledge or intellectual capability, but this does not stick only with those having a certain educational degree like college graduates (Florida, 2012). Furthermore, along with the rise of the creative class, everyday life also transforms,

in which he emphasizes the creative class seek for a work with more stimulating, independent, and flexible (Florida, 2012).

On the other hand, due to the rise of the knowledge economy and the creative class, people's awareness and social acknowledgment start merging with a creative ethos. At this point, creativity does not stick itself only with such common artistic skills like arts, fashion or entertainment, but this word, here, expands to any area of life such as technology engineering or accounting (Moriset, 2013). Florida (2012) also mentions that creativity should not be stick only with technological fields or business approaches, "which is multifaceted and multidimensional" (Florida, 2012, p. 15). Moreover, creativity should be differentiated from innovation as new ideas which reflects the imagination and possibilities rather than the implementation of actual goods or services into the market. The creative ethos may happen from daily habits to workplace cultures or social perspectives, that demands not only individuals but also the surrounding communities to make a contribution (Florida, 2012). Therefore, this demand a catalytic environment where such factors like people, places or cultures must stay aligned with the creative ethos (Florida, 2012). As a result, coworking space rises to be a suitable answer, which lends itself to the distinctive features of the knowledge economy and the creative class.

2.3. The practical implementation of coworking space in the world

Contemporarily, the knowledge economy and the creative class are often connected with start-up world, which aims to set a temporary operation model, working toward an answer for a particular need under a form of products or services (Robehmed, 2013). Then, from a certain result, this operating model seeks for a sustainable process, which can turn

into a profitable cycle with a high rate of growth (Robehmed, 2013). Start-up companies are normally based on an experimental business model with some popular characteristics like innovation focus, loose corporate structure, a small team or limited financial resources (Pahwa, 2018). Therefore, start-up companies always find a way to create sustainable advantages in the market.

In this scene, coworking space rises to be the means for start-up business practice. In European countries, after the financial crisis in 2008, many young people face a threat of losing job. Among them, there are many young professionals who start thinking about doing business by connecting with other people like them together (Orel, 2015). Hence, coworking spaces are used to be the business hubs of these young people, which, in turn, creates a transnational collaboration's trend among the European Union's countries (Orel, 2015). As a result, this encourages the outcomes of innovation, contributing to reviving the economy (Orel, 2015).

In another case, Alibaba Group tries to attract talent creative people by investing in a coworking space in China. At this space, many prototype applications of Alibaba like facial recognition, cloud printing or scanning, or even vehicle positioning for indoor navigation are integrated into the space infrastructure (Cui, 2017). By joining this coworking space, members can easily interact with each other and participate in the development process of these technologies (Cui, 2017). On the other hand, Alibaba can make use of the coworking space for both developing a knowledge-sharing community and improving their products.

From these case, there is no doubt to say that, the values of coworking space is unchanged regardless of time or location. However, in order to make use of them, policies

should be taken as adapting to the distinctive characteristic of coworking space's stakeholders and local features. Therefore, in the analysis part, we aim to find out the unique issues associated with the local businesses and how the Hillman's 5 values of coworking space can make a contribution.

Methodology

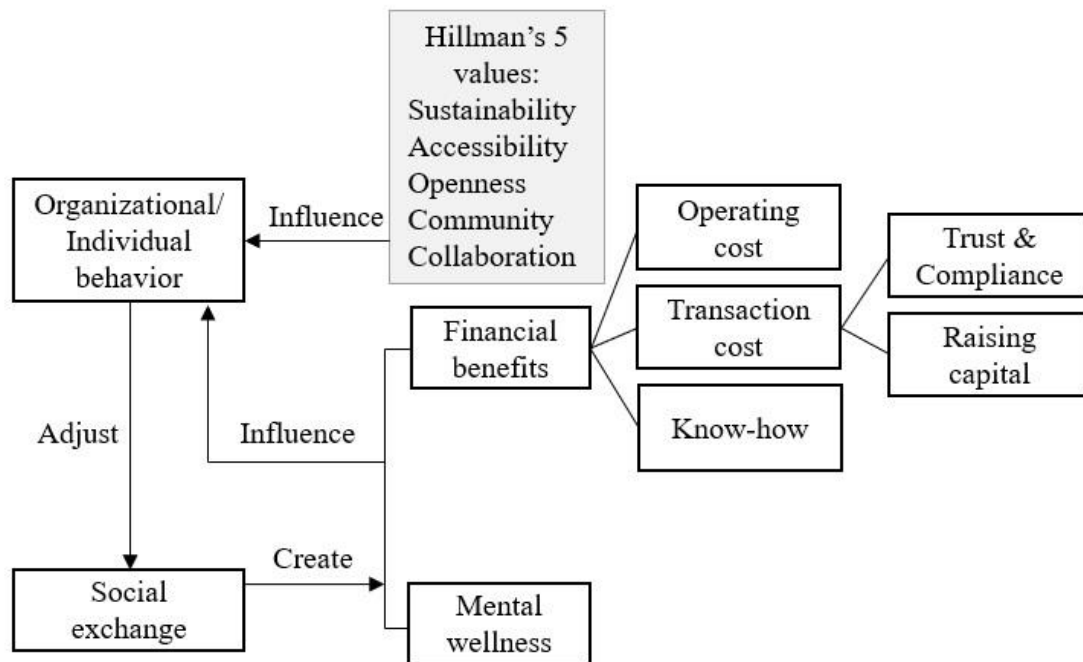
3.1. Conceptual framework

In order to achieve the report objective, we decided to set up the analysis based on both qualitative and quantitative methods. In fact, all Hillman's 5 values of coworking space based on the principle of inspiring collaborative social interaction, so there should be reasons for the local businesses to follow them. Therefore, we conceptualize that these reasons can be related to some kind of potential rewards. From this idea, we choose the way of approaching the objective is to use social exchange theory, which states that organizational and individual behaviors are influenced by potential rewards from the social exchange (Blau, 1964). The exchange can be a valuable resource such as knowledge or personal preferences, which can persuade others to give back things that benefit the givers. Therefore, we assume that by committing to Hillman's 5 values, people can increase favorable outcomes from the social exchange in coworking space.

To be more specific, as visualized in our conceptual model shown via Graph 1, the normal social exchange process based on the social exchange theory is in the white boxes. From our conceptual framework, we add a new manipulator to stimulate positive outcomes, which are Hillman's 5 values (gray box). We suggest that people using coworking space have an expectation for future business improvements, such as financial benefits, or mental wellness, so they adjust the exchange based on the commitment to the Hillman's 5 values in order to facilitate the outcome of potential rewards. This can be done when people are willing

to interact with others in a collaborative way, allowing openness, adapting to the features of a coworking space, sustaining a trustful and supportive community.

Based on this idea, first, we try to investigate issues related to financial benefits and mental wellness that coworking space’s users in Vietnam have to deal with, and then how effectively the commitment to Hillman’s 5 values of coworking spaces can act as a catalyst for favorable outcomes. As the result, we argue that a value which can pave the way for potential rewards is the suitable one for the local business practice.



Graph 1. Conceptual framework based on social exchange theory

3.2. Analysis data

Besides, to support our analysis, we also confirm them with statistical information. The data come from both primary and secondary sources for the sake of quantitative analysis. The primary data is a survey which based on the conceptual idea of coworking spaces as mentioned in the literature review part. We made the list of 26 coworking spaces in Hanoi

and Ho Chi Minh City by both searching on the Internet and consulting with several coworking space' users. First, we contacted all coworking spaces managers by e-mail, or in person by the assistance of my friends in Vietnam in order to introduce this report's purpose, and finally, there are 11 managers who agreed to take part in the report. After that, a questionnaire's link was sent out via e-mail to the 11 managers, who in turn forwarded the e-mails to the members at their coworking spaces. The survey only focuses on some basic information such as demographic data of local users since other required information can be collected from secondary data. However, all participant's name and contact are kept confidential as the request from them.

On the other hand, secondary data is the main sources of this report's analysis, which is collected from several statistical reports of reliable sources as the following list:

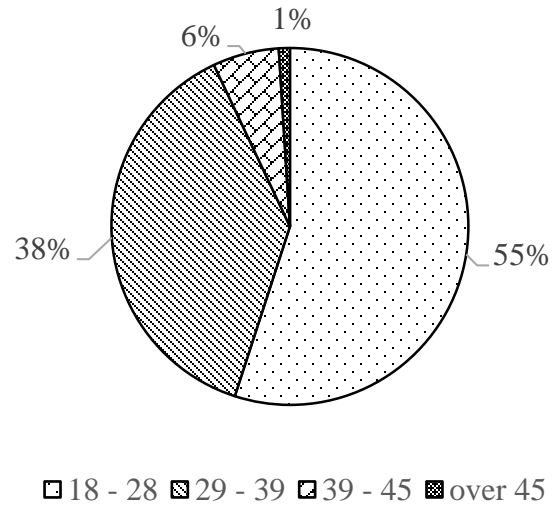
- 1, CBRE Vietnam Research Team
- 2, Vietnam Chamber of Commerce and Industry
- 3, The World Bank Group
- 4, Cushman & Wakefeld
- 5, Deskmag Coworking Statistics
- 6, UNESCO Institute for Statistics
- 7, Forbes.com
- 8, CafeF.vn

Results

Programming	28%
Marketing-related jobs	23%
Graphic design	18%
Writing	15%
Art-related	5%
Business consulting	6%
Education	3%
Tourism	2%
Food & Beverage	3%
Other	16%

Table 1. Job's types of coworking spaces' members in Hanoi (allow multiple choices)

Source: Self-owned survey



Graph 2. Age level at coworking spaces in Hanoi

Source: Self-owned survey

In our survey, we try to collect demographic data and basic information of coworking space' users in Vietnam, and totally, we receive 158 responses from them. From this data, we can decide what exact targets we have to analyze in this report, as the following description.

First, our survey shows that most of coworking spaces' members in Vietnam participate in the service sector. To be more specific, from the Table 1, we can see that the three dominant job types are related to the IT industry with about one-third of respondents doing programming. The remained jobs also reflect service-oriented features like project-based tasks, which requires a low level of tangible assets or can be conducted by a small group of people, having a high degree of flexibility and independence. At the same time, this

reveals that the respondents are educated or experienced class since most of the jobs in the survey list often require workers with a certain level of professional knowledge or experience. Moreover, as shown in the Graph 2, the main report's target are people in millennial age with the majority being related to the start-up practice (CBRE Vietnam Research Team, 2017), so there is no doubt to say that the local business's dynamic has the same characteristic as the global trend, which is an entrepreneurial orientation of the young and creative class. Therefore, since the report context is set at coworking spaces in Vietnam, the discussions mainly target at its common entrepreneurial practice, which is start-up business.

We separate analysis into two main rewards, which are financial benefits and mental wellness. The analysis flow of each reward first starts with the investigation of problems associated with coworking space's users in the local market, and then we try to explain how the practice of coworking can improve the situation, facilitating favorable outcomes for local businesses. After investigating by the conceptual framework, we summarize that all of Hillman's 5 values of coworking space can contribute to the local business practice, as following detailed analysis.

4.1. Financial benefits

To begin with, profit is the most prominent reward, that everyone expects to gain, so the first problem encountering here is whether coworking space can cultivate financial benefits for the local businesses. In order to answer this, we separate the analysis into three main parts, which are controlling general operating costs, transaction cost, and know-how. This approach is based on the idea of controlling cost and sustaining long-term competitive advantages by improving decision-making capabilities. Therefore, the analysis flow of each

part starts with the investigation of the real situation in the local business environment before applying the values of coworking spaces to solve every problem that may come up with.

4.1.1. General operating cost control

In general, every firm in non-manufacturing sectors works toward the capability to reduce operating costs, which in turn contributes to the increase in profit margin. More specifically, in term of cost accounting, if firms can reduce the operating costs, they can provide products or services with an attractive price to the market. This can be done by either utilizing fixed assets or reducing variable cost, but these practices do not aim to reduce products or services' quality (Weygandt, Kimmel, & Kieso, 2012). Normally, newly established companies need to invest a huge amount of money to purchase land or build offices, which then turns into either common or traceable fixed cost with periodic depreciation. This is also the same as in the case of purchasing facilities like machines or office's equipment. Therefore, at the early stage of entrepreneurship, managers often seek for measures, which can substitute the above common investment. In fact, the local business in Vietnam must also deal with these problems, so we divide the following analysis into two problems, which are rental cost, facilities investment, and location.

In Vietnam, the appearance of coworking spaces with flexible leasing terms and affordable membership prices are often advertised by spaces' providers as an appropriate choice to reduce rent. This is because once space's users commit to the values of collaboration, they can reduce cost by sharing the same workplace. However, the amount of reduction may differ among countries, regions, and targets, so there is nothing to ensure that this may work in Vietnam.

To be more specific, since coworking spaces in Vietnam have a limited supplying capacity in comparison with the global or regional average size and quantity (CBRE Vietnam Research Team, 2017), the price policy of the local coworking spaces may be different. According to our survey's result (Appendix 2), every coworking space in Hanoi does not have a strict policy to recruit new members. Every people can join without taking any selecting process, but actually, there are some coworking spaces with special orientation, which affects the joining decision of members. Besides, most of the coworking spaces offer users with several types of membership packages based on a single person unit, which is mainly calculated by the length of staying time or arriving time such as the number of entries or days, so the price policy becomes very flexible in comparison with any type of traditional office. Moreover, every member is allowed to use basic services like free drinks, high-speed Internet or relaxed corners, but if they locate their business in private rooms instead of in open areas, the membership fee becomes more expensive.

	Office-tel ²	Traditional office (Grade B)	coworking space
Specifications	35 – 40 sq. m.	50 sq. m.	15 – 25 sq. m.
Monthly cost	US\$625	US\$900	US\$915
Leasing term	6 months	2 years	6 months

Table 2. Rent's comparison between coworking spaces and other types of office

Source: CBRE - coworking spaces in Vietnam - 2017 report; CBRE - Vietnam Market Overview Report Q1/2018

However, from the Table 2, we can see that rental costs for a private office at coworking spaces are not cheaper than traditional offices or office-tels. This poses a question

² A type of serviced office, when people allow companies to use their vacant room in an apartment building as office

that whether the local coworking spaces are able to decrease rental cost. To be more specific, with coworking spaces, firms can save a huge amount of financial resource from the normal infrastructure investment. For example, instead of leasing a big office with a meeting room, which is only used twice times a week, companies can lease a smaller private area as their main workplace at coworking spaces but still have a shared meeting room with other members. However, as shown above, the price is always calculated on a single person unit, so actually, a company with more than 4 people cannot save money from locating their office at coworking spaces. This result is compared with the assumption that the traditional office for 4 people is Grade B with 50 square meters, and we applied the average cost for the traditional office as written on the market overview report Q1/2018 of CBRE Vietnam.

Therefore, the general rental cost is not the reward of committing to the value of collaboration, so we have to seek other positive outcomes, which are amenities and location. To be more specific, once companies use coworking spaces as their offices, they can save an amount of common investment in facilities like tables or office equipment, by which they become able to reallocate these financial investments into other necessary tasks. For example, architect designers may feel attracted by coworking spaces that have photocopy machines and printers, while a relax zone with massage chairs, table tennis, or console games may appeal managers who want to set up a stimulating atmosphere for the employees. As the result, firms can reduce a large amount of periodic depreciation.

Moreover, spaces' providers normally claim that their offered membership fees go with the attractive business locations, bringing a profound effect on clients' business performance, which customers cannot receive in case of using a traditional office with a same

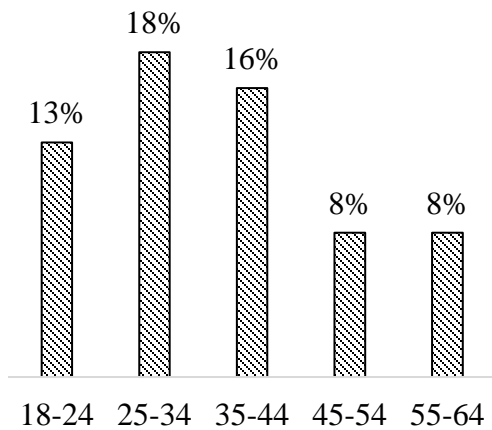
cost of rent. In fact, most of the coworking spaces are located in the center Hanoi and Ho Chi Minh City. These two cities are forecasted to witness a high demand for office since the inner city is crowded, so the rent of traditional office is expected to rise constantly (CBRE Vietnam Research Team, 2018). Therefore, businesses with a demand for a good location to connect to their clients may consider this offer of coworking spaces as a reward.

4.1.2. Transaction cost

Nevertheless, firms not only try to gain financial benefit by decreasing general operating costs but also seek for controlling transaction costs. In general, the transaction cost theory claims that firms should try to minimize this cost during their operating process to gain more value for transaction efficiency (Williamson, 1981). The cost normally exists under some kinds of bureaucratic costs in order to finish a particular task, which are search and information costs, bargaining and decision costs, and policing and enforcement costs (Dahlman, 1979). Although this kind of cost may exist in several business activities, in this paper, we develop the analysis, which is related to two main factors, which are trust and compliance, and raising capital. Therefore, the following analysis, first, reveals what kind of local transaction costs may impair the start-up business practice, and then this shows how the values of coworking space can tackle the problem.

4.1.2.1. Trust and compliance

To begin with, in term of search and information cost, this may relate to the effort of gathering information for finding and controlling business partners/clients. These transaction costs are not easy to control as they depend on the local business cultures or traditional organizational behaviors. In Vietnam, especially in the northern part, business often comes



Graph 3. The rate of having entrepreneurial intention by age

Source: Vietnam Chamber of Commerce and Industry

with a relationship, which is shown via a common saying “*first come descendants, second is relation, then would be money and wisdom comes last*”. Marian Stetson-Rodriguez also describes the business cultures and negotiation in Vietnam as a continuous process when relation should be built before going into business aspects (Stetson-Rodriguez, n.d.).

However, the business network seems to be a big weakness of most newly established businesses in the local market, so they tend to spend much effort and money to finish this task. The reason for this is that, at the present time, Vietnam has a young demographic structure with about 70% of the population is under the age of 35 (The World Bank Group, n.d.), while, as shown in the Graph 3, the groups of ages having the highest intention to starting a business are those under 35 with 13% (3rd rank) of people from 18 to 24 and 18% of people from 24 to 34 (1st rank). However, this group of people is those may not have enough experience in expanding business’s relations, or they may not have a wide business network before starting their business. This may result in the outcomes of wasting a huge amount of time and money. On the other hand, even if companies can set up a business network easily, the second problem may come up. This is how to ensure the partner will stick with agreements. Therefore, companies have to informally pay a certain resource to monitor and enforce contracts with their partners or clients.

In fact, Dyer (1997) supposes that in order to decrease these types of transaction cost, companies should invest in trustworthiness, high volume of transaction with a small group of partners, and non-contractual transactions, which may be aligned with the values of coworking spaces. To be more specific, normally, coworking space is a community including a wide variety of businesses and users with diverse professions. Therefore, the local nascent firms, instead of investing much effort in seeking for business partners on the outside market, can easily connect with other firms or users from the inner community. This collaboration practice can solve the question of searching proper partners/clients at the early stage of a start-up company. This is because coworking space's users are often companies with a small group of people or individual freelancers, so during the early stage of business, they often have an incomplete corporate structure in term of a start-up firm. As the result, they often lack several functional departments or staff. For example, a start-up of software developing may not have any person with accounting expertise to manage financial budget or taxation, or a start-up of business consulting business may lack people who can promote its brand advertising. Therefore, the inner community of coworking spaces can always generate business opportunity for its contained start-up companies with a low cost of traveling or time consuming to find out suitable business partners/clients if they can keep a high volume of transactions within a particular coworking space.

At the same time, once users in the same coworking space can exercise the values of collaboration and openness as Hillman's idea, they can reduce policing and enforcement costs. This is because, when the inside community is built with full of trust and honesty, non-

contractual transactions can be made among users, so they do not need to spend much effort to negotiate and monitor others informally, which lead to cost saving.

4.1.2.2. Raising capital

In Vietnam, the local nascent businesses with young founders often face trouble with raising capital from angel investors, which normally ends up with a high level of transaction cost. This is because, the business structure is not diverse, so much effort is required to find out suitable angel investors. To be more specific about the limitation of local business structure, first, we should look at what happens in the two countries dominating venture capital investment in the world, which are the U.S. and China with total investment in 2015 of US\$ 72 billion and US\$ 49 billion respectively (Ernst & Young Global Limited, 2016). From the Table 3, we can see that most of the American and Chinese richest people work in technology-related industries, which have a high pace of innovation and demand for

Rank	The US		China	
	Name	Source of wealth	Name	Source of wealth
1	Jeff Bezos	Technology	Hui Ka Yan	Real estate
2	Bill Gates	Technology	Ma Huateng	Internet media
3	Warren Buffet	Financial investment	Jack Ma	E-commerce
4	Mark Zuckerberg	Technology	Wang Jianlin	Real estate
5	Larry Ellison	Technology	Wang Wei	Package delivery
6	Charles Koch	Conglomerate	Yang Huiyan	Real estate
7	David Koch	Conglomerate	He Xiangjian	Home Appliances
8	Larry Page	Technology	Robin Li	Internet search
9	Michael Bloomberg	Media	William Ding	Online games
10	Sergey Brin	Technology	Li Shufu	Automobiles

Table 3. Top 10 richest people in the US and China

Source: Forbes.com

innovated ideas. Therefore, many big companies and investors in these markets are willing to pour money into new businesses, that have creative ideas, in order to seek for future benefits.

Rank	Name	Source of wealth
1	Vuong Pham	Real estate
2	Thao Nguyen	Airline
3	Quyet Trinh	Real estate
4	Long Tran	Natural resources mining
5	Huong Pham	Real estate
6	Nang Ho	Real estate
7	Nhon Bui	Real estate
8	Hang Pham	Real estate
9	Hien Vu	Natural resources mining
10	Tai Nguyen	Retail

Table 4. Top 10 richest people in Vietnam

Source: CafeF.vn

In contrast, from the Table 4, in the top 10 richest businessmen of Vietnam, there are 8 out of 10 people working in either the real estate industry or mining-related industries, which have some special features such as a high level of capital requirement or limited market's capability. This is because products or services in these industries are consumed on a long-term basis with a slow pace of innovation like land or construction materials,

so start-up companies hardly ever penetrate these markets. At the same time, local incumbent companies and investors in these industries also rarely retain their competitive advantages by investing in a new market corner to make a long-term development. Normally, they try to conduct M&A³ in order to gain more market shares, limiting buying options of customers. In addition, they can set up a cartel to control the supply system like in the case of the OPEC, or lobbying is the normal way to receive favorable policies from the rule' maker. As the result, the local market lacks big companies or angel investors, that are willing to seek for long-term business development by investing in a venture capital. This results in a high cost

³ Mergers and acquisitions

of traveling, presenting business ideas, or finding generous investors for start-up founders to raise fund by this way.

Therefore, start-up businesses may take another way to overcome the “valley of death”, which refers to the financial difficulty at the early stage of start-up companies (Zwilling, 2013). This is to borrow from financial institutions. However, in Vietnam, the bureaucratic system proves to have many limitations on the development of the private sector, especially in term of lengthy administrative procedures or unclear incentive policies (Nguyen, Doan, & Tran-Nam, 2017), so this leads to the appearance of another type of transaction cost, that is bargaining and decision costs.

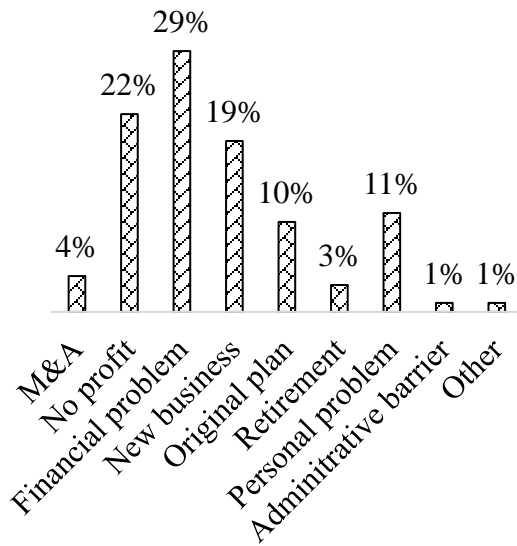
In fact, this outcome also comes from the effects of information asymmetry. To be more specific, in the situation when information is not accessed equally among stakeholders, the outcome of adverse selection may happen (Akerlof, 1970). This may illustrate exactly the situation in this report context, in which the number of start-up companies is too big, but their real ability is always uncertain under the viewpoint of financial institutions, so start-up



Graph 4. The rate of outflow business on inflow Start-up in Vietnam 2013-2015

Source: Vietnam Chamber of Commerce and Industry

companies have to pay a high level of transaction cost such as lengthy negotiation time or proving business prospects to approach capital from these sources, which in turn causes the increase in the level of transaction costs. As the result, this causes a high turnover rate of the start-up business in Vietnam. An illustration for this can be seen from Graph 4



Graph 5. The reasons for leaving business in Vietnam

Source: Vietnam Chamber of Commerce and Industry

and Graph 5, which shows that for every 100 people start doing business, there are 17 entrepreneurs giving up doing business in Vietnam in 2015, and the main reasons are related to lacking financial resources.

However, coworking spaces can solve these problems because this type of office can be considered as an intermediary, which facilitate the dynamic of the local business where various types of market stakeholders can increase the interaction between each other

(Capdevila, 2014). This leads to the decrease of transaction cost to connect start-up businesses to potential investors.

To be more specific, the flexible system of coworking spaces allows people to make use of its professional and creative facilities. This place also includes a community with full of creative and collaborate young entrepreneurs, so this can be an attractive location for international business travelers to stop by as in the case of Sundar Pichai – Google’s CEO and Barack Obama – former president of the US in their business trips to Vietnam. This enables them to increase the interaction between local start-up companies and global potential investors. This is of paramount importance when the domestic business structure does not seem to be favorable for most of the local start-up companies. At the same time,

periodic events like hackathons⁴, talk shows, or even exchange network among several coworking spaces can become an effective terminal with cheap transaction cost for local entrepreneurs to show off their creative qualities in front of potential angel investors. As the result, by the support of the embedded values inside a community of coworking spaces as Hillman states, users can enhance their transaction efficiency.

BPO's ranking	Country	GPD per capital
1	Vietnam	US\$2170.6
2	Philippine	US\$2951.1
6	Malaysia	US\$9508.2
10	China	US\$8123.2

Table 5: Global BPO ranking and GDP per capital by country

Source: Cushman & Wakefeild, and World Bank Data

Rank	Country's name	No. of graduates
1	Russia	454,436
2	The US	237,826
3	Iran	233,695
4	Japan	168,214
5	South Korea	147,858
6	Indonesia	140,169
7	Ukraine	130,391
8	Mexico	113,944
9	France	104,746
10	Vietnam	100,390

Table 6: Global top countries for graduates in engineering in 2015

Source: UNESCO Institute for Statistics

4.1.3. Know-how

Contemporarily, Vietnam is described as the most attractive destination for business process outsourcing (BPO) (Cushman & Wakefeld, 2015). Simply, BPO can be understood as hiring other people to finish a part of a given work. Normally, BPO' tasks have the lowest level of value creation, which is not considered as core stages of a business, such as assembling in the manufacturing business or code writing in the IT industry. This business practice often requires a numerous amount of cheap labor force, but there is no need for staff with a high level of skills or knowledge since the main reason is reducing labor cost.

Therefore, this practice really fits the condition

⁴ A competition, in which people are given a certain a time to develop a software

in Vietnam, because the average income of Vietnamese people is lower than that of other developing countries like China, Malaysia or Philippine (Table 5) while the country proves to have a prominent resource of the educated workforce (Table 6).

However, due to the fact that BPO's tasks do not require much high-level knowledge, the creative class in Vietnam do not have many opportunities to gain experience or improve their understanding of corporate management before starting a start-up company. As the result, this impairs the knowledge development of the skilled workforce in this country since most of them spend several years to do BPO jobs. Consequently, when they start entrepreneurship, many start-up founders face troubles with the question of business administration such as human resource management or strategic management. This causes start-up business in Vietnam to a high tendency of failure. An illustration for this is in the case of The KAfe – a famous coffee' shop model in Vietnam. This model was a success to raise an amount of US\$5.5 million via Cassia Investments in 2015 (Ngoc, 2015), and then rapidly spread all over the country with 14 franchises (Tài, 2017). However, only 1 year after the success of fundraising, the founder left this company due to financial loss, and as she said, the main reason for her failure was lacking management skills when the company scale suddenly became too big (Tài, 2017). Therefore, in general, start-up companies in the local market lack business management knowledge.

In fact, coworking space can be a measure for this problem. This is because the practice of coworking can facilitate knowledge sharing. According to the social exchange theory, individual and organizational behaviors are influenced by their exchange outcomes.

In this report context, start-ups can exchange knowledge with others in a coworking space to improve their lacking know-how.

However, this can be done only when people commit to Hillman's value of openness, which reflects a community with no restriction on the exchange of ideas, knowledge, and information. Therefore, once businesses enter a coworking community and start exchanging knowledge, all side can take advantage of it. Moreover, due to the Hillman's value of sustainability, this process can continue constantly because the world keeps changing forever, at a certain point of time, every knowledge should be revised and updated by exchanging with the surrounding community.

As the result, this iterative interaction results in the enhancement of the business implementation in the real market. Therefore, there is no doubt to say that coworking spaces have enough qualities to deal with the problem of know-how, which is embedded in the local business.

4.2. Mental wellness

As we have discussed so far, Hillman's 5 values of coworking space can create rewards which lead to cost reduction or gaining knowledge for the long-term sustainability of the local business. However, money is not the only valuable target, so from other viewpoints, mental wellness may become a suitable reward for individual exchange.

In this report, we only discuss mental wellness as the outcome of limited self-esteem, which is caused by two main factors of personal cognitive and social relation. Therefore, in this part, we describe how coworking space can positively affect these two factors, leading

to the improvement of self-esteem. They can be summarized as supportive communication, creative environment and overcoming self-isolation.

First, in term of self-esteem, human belief and mindset have a profound effect on individual mental health, which has its roots from a process of cognitive development, going along with the cultural background and educational system of a particular area (Seo, Lee, & Kim, 2005). In Vietnam, especially in the northern part, Confucianism is embedded strictly in the local cultures and social norms (Hieu, 2015). This affects significantly the freedom of expression and personal preferences, which consequently hinders the development of individual esteem and influence personal mental wellness.

For example, there is an unofficial rule that children have to take advice from parents, and at the same time, they have to show respect toward any elderly people without a certain reason (Hieu, 2015). Children should not interrupt adults during a discussion to present their opinions, or they should not argue for a thing that they do not agree with their superior people because Vietnamese people believe in seniors' priority. Vietnamese people also do not like some kinds of job such as trader or singer as the influence of Confucianism's ideology (Hieu, 2015). As the result, Vietnamese parents often decide future orientation for their children such as what they should study at university or who they should marry regardless of their personal preferences or natural talents. This develops a passive way of thinking in children since they get used to the practice of waiting for an acceptance or advice from their superior people (Kim, 2011). Therefore, there is a large number of Vietnamese people growing with stereotypes or over-conformance with rules and regulations, that impairs their development of problem-solving skills or critical thinking. This leads them to grow with the lack of self-

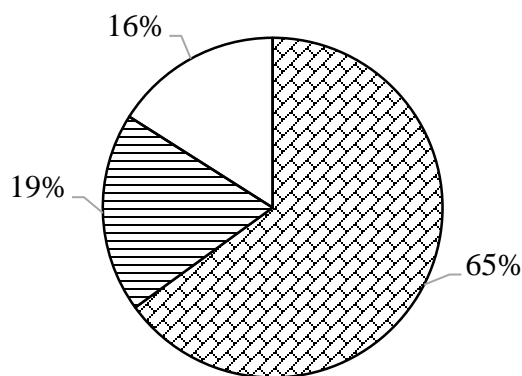
esteem, so they cannot enjoy life as the way they want to have. Hence, one way to solve the problem is to focus on personal preferences and express them out loud. However, because of the Confucianism effects on the people mind, the local people have a high tendency of staying in the majority for avoiding social offense, or they may have unfriendly viewpoints towards odd ideas (Hieu, 2015). This lead to the fear of failure in people mind since if they cannot get supported by their idea, they may lose face.

However, even if someone can gain a prominent achievement by a creative idea, they still receive an excess social reaction, which later puts them in an unfavorable situation. For example, looking back into the past with the case of a famous game called “Flappy Bird”. This mobile game was released in May 2013 by an Internet-based company – dotGEARS, located in Hanoi, Vietnam (Dogtiev, 2018). At that time, the Vietnamese technology market was still considered as undeveloped, and in fact, there was no Vietnamese digital game recorded as worldwide famous. The appearance of this game brought a new breath into the market, becoming a global phenomenon in just a couple of weeks (Warren, 2014), which in turn attracted the attention from all over the world into the Vietnamese market. Unfortunately, the author – Dong Nguyen - decided to close the game and removed it from app stores in February 2014, just about 9 months from the released date (Dogtiev, 2018). The reasons for this varied, but in general, there is no doubt to say that the author was isolated from the surrounding community.

During that days, some report claimed that Dong Nguyen could earn about US\$50,000 per day from in-app advertising (Dogtiev, 2018), which was a huge amount of income, affecting both the local market trend and the local institutional system. However, he

was criticized by the surrounding community for making a Mario-like game's features (even Nintendo – the maker of Mario games – denied a legal challenge toward Flappy Bird) (Schreier, 2014). Others blamed the author for making an addictive and frustrating game. Moreover, after the success of Flappy Bird in term of making money, there was a rumor that the General Department of Taxation was finding ways to collect tax from that huge income even Dong Nguyen had not received any payment from Google or Apple yet (Thời báo Tài chính Việt Nam, 2016).

Therefore, this case points out the fact that the surrounding community did not provide a nurturing environment for Dong Nguyen to continue developing his creative idea, although he created a disruptive innovation in term of mobile games in the local market. In fact, Dong Nguyen did not reveal publicly what exactly motivated him to create the game, but the blaming cultures act as the barrier to prevent Dong Nguyen and his products to develop, which later caused a harmful effect his mental wellness. Therefore, in order to flourish the creativity, the blaming cultures should be eliminated.



No
 Yes
 Don't know

Graph 6. Is there any social order at your coworking spaces?

Source: *coworkingstatistics.com*

From the above analysis, there are two problems that the values of coworking space have to deal with to generate self-esteem, which are over-conformance with rules and regulations and blaming cultures.

One solution is to cultivate creativity in users' mind through

collaboration and openness. From the Graph 6, we can see that up to 65% of all members using coworking spaces in the world claims that there is no hierarchy system at their workplace. Therefore, in a community with a low influence of social order, there is no doubt that members can forget about problems related to Confucianism's ideology, developing their diverse ways of thinking.

Moreover, according to the global survey result done by Deskmag in 2016, members of coworking spaces all around the world reveal that the inner community at their coworking spaces makes them feel better in term of dealing with the social isolation problem. By working with people having a same ambition, passion, or lifestyle, they can never feel that working on their own is the same as working alone. This outcome is very important to efforts of overcoming cultural barriers because once we cannot fight back alone, the appearance of a supportive community can be our balancing power.

Discussion

5.1. Importance of results

According to the above analysis, we can see how and which of Hillman's 5 core values of coworking spaces can theoretically solve the problems of the local business practice. This result is of paramount importance since before this paper there is no public research about the application of coworking spaces into the Vietnamese market. Therefore, the results and suggestion of this report can become a fundamental idea for the practical application in the local market, or this can work as a suggestion for further comprehensive researches on this issue.

5.2. Practical implementation

In fact, what we analyzed so far is constructed on a condition that the individual commitment is perfect, so all stakeholder at a coworking space stick to Hillman's 5 values of coworking space. Therefore, these 5 values can activate at the same time, creating the rewards for local business as shown in previous parts. However, in the reality, this static condition can hardly ever happen due to a certain degree of information asymmetry or unequalled expectation for rewards.

Therefore, if someone does not commit to the ideology of Hillman's 5 values, the outcome may be misled. For example, Hillman's core value of openness requires users to share their knowledge equally with others in the same community, but users may narrow their network inside a coworking space to maximize their benefits by gaining more knowledge than others. This may impair a certain level of collaboration, leading to

unbalanced and ineffective exchange inside the community. In fact, Hillman's 5 core values of coworking space should be considered as a catalyst, which facilitates the sustainability and effectiveness of members inside its community. These values are not a tool or an assurance for any success of its members, which cannot exist without the contribution from coworking space's stakeholders. As mentioned in the literature review part, the characteristics of each coworking space are unique and defined by their community, so there is no doubt to say that each stakeholder at coworking spaces has to commit with these 5 values to formulate successful outcomes.

In general, there are 4 main stakeholders at coworking spaces, which are space's users, space's providers, external parties and governmental bodies. Each of them has distinctive duties to construct a strong community of coworking spaces, so failure from any side can lead to unexpected outcomes. Therefore, the following discussion aims to develop a general recommendation for the local actors to implement the use of the 5 values into the practical situation.

Primarily, in term of space' users, there should be more expectation toward the use of coworking spaces rather than such kind of obvious demands like desirable facilities, attractive location or cost-cutting. In fact, these demands show a distinctive feature of the creative class, which is self-focus. However, too much self-focus can interfere with the core values of coworking space. Looking back to the first coworking space, Brad Neuberg does not ensure anyone about financial benefits. What he tries to convince people is the idea of knowledge sharing and a collaborate community, which can result in the enhancement of both productivity and mental wellness. Although the idea is simple, when it comes to the

reality, so many people aim to use coworking spaces as a means to an end, which is financial profit. As a result, what people can see is just the tip of the iceberg, which may impair the long-term sustainability. Therefore, space's users should seek more latent values, which can be gained only by the proactive and trustful collaboration among the coworking community.

However, in order to do that, space' providers also need to coordinate with users with a role of community mentors. The important point should be emphasized here that any hierarchy created from this activity should be considered as a failure. At coworking space, members should be treated fairly and equally, which ensure their similar roles in constructing a collaborate dynamic, especially in the situation that creativity and courage are hindered by local cultures and social norms. Additionally, spaces' providers need to reconsider the content and frequency of their activities, which should aim at benefiting the inner community. As presented before, the main targets of coworking spaces are working in the IT-related industries, so social activities should be associated with them. However, according to the Appendix 2, most of the provided activities are not really connected to the IT development, and their frequency seems to be low (only 4 out of 11 coworking spaces have more than 1 activities per month for the community).

On the other hand, external actors, especially incumbent businesses in the local market, should increase their participation in coworking spaces. As analyzed before, the business structure in Vietnam at the present time does not favor the rise of innovative technology-focused start-ups. At the same time, real-estate and natural resources-related industries cannot become the backbone of the national economy in the long-term development because of their limited capacity. For example, the US, Japan, and Germany

are developed countries with a long history related to technology development. What we can see from them is a series of giant companies working in automobiles or computer-related industries such as Google, Sony or Volkswagen. These companies create a huge amount of profit for their countries every year even exporting most of their business processes into other developing nations. Contemporarily, China becomes a new name, challenging the dominance of the three previous countries. China was almost like Vietnam in the past, which is considered as the factory of the world with a cheap labor cost. However, businesses in this country change their image by investing in technology development, so in the present day, we can see so many Chinese entrepreneurs ranking in the global richest billionaires' list. Therefore, if the local businesses do not invest in other sectors, there no chance for them to escape from the trap of the low-value creation in the global value chain. One way to do that is to pay attention to the dynamic community of coworking spaces. This community has enough potential ability to redesign the business structure of the local market. Therefore, incumbent firms should encourage the development of creative start-ups by providing venture fund or transferring their creative ideas into the real marketplace. They can also locate their own business units in coworking spaces to increase the interaction with social dynamic. This is of paramount importance to catch up with the creative movement.

Moreover, all the above efforts cannot come true without the support from the government. Therefore, local rule's makers should have more favorable policies towards the practice of coworking spaces and its stakeholders. For example, they can provide more financial incentives under the form of tax or investment to facilitate the appearance of further coworking spaces, making them more accessible and affordable for customers. These

subsidies can pave the way for them to release financial burdens, focusing more on developing a sustainable community. Moreover, the policies of the local government should be aligned with the movement of local business. Once, the business structure starts changing, the government should have enough strategies to protect their development. For example, in the case of China, companies in this country cannot transform into big businesses without the national barriers toward foreign companies. However, the opposite is not true in Vietnam when the local businesses suffer significantly from brain drain and strong competition from foreign brands. This recommendation does not aim to hinder the global integration, but in term of facilitating the domestic market, the government should create a favorable condition for local businesses to grow.

5.3. Limitation

Finally, this paper still has a limitation, which may result in an unrealistic finding. This is because our conceptual framework is not perfect. We assume that the social exchange with the commitment to Hillman's 5 values of coworking space can lead to positive outcomes, and we neglect the fact that this can lead to negative outcomes. Therefore, a positive outcome can only be created when benefit exceeds loss. However, the reason for us to accept this framework is that it is easier to approach when the measuring flow has only one direction. If we try to challenge a more comprehensive framework by adding negative outcomes, the measuring process can become much more complicated, and our finding may be biased since the value of rewards differ from people to people, so we cannot find out an appropriate value of net rewards.

Conclusion

From this report, there is no doubt to say that the embedded features in the Vietnamese market have several issues such as the effect of Confucianism or the unbalanced business structure, which can hinder the development of the local business. In fact, coworking space can theoretically be a suitable measure for these problems by utilizing the effect of its collaborate community. However, this report shows that without a commitment to Hillman's 5 core values, outcomes may be misled. In other words, Hillman's 5 values are no more than theoretical ideas, which needs to be actualized by people's commitment. Therefore, in order to ensure positive outcomes, each space' stakeholders in this ecosystem of coworking space needs to contribute to the develop a collaborative and sustainable community. Additionally, further researches on this topic should be taken to fill the gap of comprehensive outcome assessment, which can add value to a better practical implementation for the local business practice.

Appendices

Appendix 1: Survey form

Please answer the following questions honestly. If you have already done, there is no need to redo:

Q1. How old are you?

18 - 29

30 - 39

40- 55

from 56

Q2. Please select your

appropriate gender.

Male

Female

Other

Q3. What is your current

professional status?

Entrepreneur

Employee

Freelancer

Other

Q4. What is your current

relationship status?

Single

Married

Divorced

Other

Q5. Please select your

appropriate job types (multiple choice)

Programming

Marketing-related jobs

Graphic design

Writing

Art-related

Business consulting

Education

Tourism

Food & Beverage

Other

Appendix 2: Public information of coworking spaces in Vietnam

	A	B	C	D	E	F
Entry requirement	No	No	No	No	No	No
Special orientation	No	IT-related	No	No	IT-related	No
Hackathon	No	No	Yes	No	Yes	No
Talk show	Yes	Yes	Yes	Yes	Yes	No
Workshop	Yes	Yes	Yes	Yes	Yes	Yes
Fitness (Yoga,...)	Yes	No	No	No	No	No
Facebook group/page	Yes	Yes	Yes	Yes	Yes	Yes
Frequency	2/week	5/year	5/week	2/month	3/month	3/year
Trial course	Yes	No	Yes	No	No	No
	G	H	I	K	L	
Entry requirement	No	No	No	No	No	
Special orientation	No	IT-related	No	No	No	
Hackathon	No	No	Yes	No	No	
Talk show	Yes	Yes	Yes	No	Yes	
Workshop	Yes	Yes	Yes	No	Yes	
Fitness (Yoga,...)	Yes	No	No	No	No	
Facebook group/page	Yes	Yes	Yes	Yes	Yes	
Frequency	5/week	1/month	2/week	-	2/month	
Trial course	Yes	No	Yes	Yes	No	

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