** **

9B19M034

Xinke: Transforming Service through the Crowd Innovation Space

[Haibo Hu](https://iveypubs.my.salesforce.com/0031J00001S4Vy2), [Haitao Lu](https://iveypubs.my.salesforce.com/0031J00001S4Vy7), [Tao Huang](https://iveypubs.my.salesforce.com/0031J00001S4VyC), [Chunbing Mao](https://iveypubs.my.salesforce.com/0031J00001S4VyH), [Etayankara Muralidharan](https://iveypubs.my.salesforce.com/003A000001gEZHO), and William Wei wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) cases@ivey.ca; www.iveycases.com. Our goal is to publish materials of the highest quality; submit any errata to publishcases@ivey.ca. i1v2e5y5pubs

Copyright © 2019, Tsinghua School of Economics and Management and Ivey School of Business Foundation Version: 2019-05-10

On February 12, 2017, when the Chinese start-up Jiangxi Xinke Investment Co. Ltd. (Xinke), which belonged to Jiangxi Xinke Investment Co. Ltd., released its business strategy, the Greenland Xinke platform’s founder and chief executive officer, Jinsheng Miao, posted the following on WeChat:

Along the way, some people thought it was ridiculous when Xinke built crowd innovation cafés. Some people thought it was questionable when Xinke created the Zhongke Xinke Crowd Innovation Fund platform. Today, Xinke has built the first nationwide crowd innovation space ecology, which makes Xinke a respectable company. There may be ups and downs along the road, but for the ultimate goal, I’ll do nothing but trek night and day.

By 2017, the development of entrepreneurial services in China had been taking place for less than 10 years, and the concept of the crowd innovation space (CIS) had been introduced only four years prior. Although Xinke had experienced growth only in the past three years, the firm had already undergone two transformations in its service patterns: from the Xinke Café to the Greenland Xinke platform to the Xinke CIS Fund—in other words, from offering the single service of project communication to introducing multi-dimensional services. Now, in March 2017, the firm had to determine how it would meet the needs of entrepreneurs with increasingly mature services.

The Era of Xinke

The successful release of its crowd innovation eco-strategy was a milestone in Xinke’s development. This was a project the Xinke team had struggled for several months to complete. To recognize the team’s hard work, Miao held an internal celebratory party, both to thank everyone for their work and to take the opportunity to speak openly with his team. A few hours after the release of the eco-strategy, Miao said, “Finally, we are taking another step forward. From the crowdfunding café to the crowd innovation eco-strategy, we started the company on a whim and now we are putting our hearts into growing the company. Along the way, there have been rewarding surprises and challenging bumps.”

The history of Xinke’s growth was a microcosm of the development of thousands of CISs in China (see Exhibit 1). The iterative upgrading of entrepreneurial services had not been achieved by the simple moves of one company; rather, it had succeeded through multiple factors within the context of the entire era.

growiing xinke

Due to a great deal of uncertainties in the entrepreneurial process, it could be difficult to grasp the key links among entrepreneurial opportunities, entrepreneurial resources, and business operations. Therefore, a number of entrepreneurial projects in China had been shelved in their infancy. In June 1987, China’s first business incubator was established in the Wuhan East Lake New Technology Entrepreneurship Centre. The incubator-based entrepreneurial service centre quickly spread to all parts of the country. With the prevalence of venture capital and the growth of the Internet, entrepreneurial services were continuously improved and upgraded. The industry was moving towards a resource-sharing model. A new, convenient, low-cost, all-factor, and open-ended entrepreneurial service platform—the CIS—emerged as a new paradigm of entrepreneurial services. China’s first creative innovation space was the “New Workshop,” established in Shanghai on October 1, 2010. Since 2010, many crowd innovation service platforms based on resource sharing had emerged, including Tencent Open Platform and 3W Coffee. It was estimated that the number of CISs exceeded 5,000 in 2010, with an average of more than 700 being added every year.

Shifting Modes and Driving the Market

After 40 years of reform and opening up to foreign markets, the Chinese economy was moving from being factor driven to innovation driven. Innovation was often accompanied by demand-oriented resource integration. As a promoter of dynamic resource allocation, CISs were committed to resource sharing and played an important role in economic growth. At the same time, the open market under economic transformation had also reacted to CISs and had become the driving force for its iterative upgrade. Compared to the international community, funds in the Chinese market were relatively ample. As long as there was demand, investment institutions—including various incubators and venture capital funds—were supportive and inclusive of entrepreneurs. They would continue to interact with entrepreneurs and CISs to create better entrepreneurial conditions.

Service Upgrades Paving the Way for Technology

Successful CIS operation modes at home and abroad showed that the spaces created by CISs were not composed of a single element. This was especially true of the spaces created in the era of open innovation 2.0[[1]](#footnote-1). In addition to the standard configuration of venues and basic services, CISs needed to offer novel entrepreneurial services to attract entrepreneurs. The basic service content of a CIS could be highly reproducible. Therefore, in order to create service differentiation and to compete, service upgrades were needed. Such upgrades were difficult to achieve and could not be done recklessly. Technology helped corporate decision-makers find access to service upgrades. In 2016, the turnover of technology contracts in China reached [¥](https://www.google.com/search?rlz=1C1CHBF_enCA793CA793&q=renminbi+%C2%A51&stick=H4sIAAAAAAAAAOPgE-LQz9U3yMgziVfi1U_XNzRMtzA3Sa8qztKSy0620s8uiM8p1y_PL8pJiU8uLSpKzUuutErOz8wrXsTKA-TlZuYlZSocWmoIAAeeiGxKAAAA&sa=X&ved=2ahUKEwiK4Yvquc_gAhUHVN8KHWO1DCEQmxMoATAiegQIAhAh)1,140.7 billion,[[2]](#footnote-2) a yearly increase of 16 per cent. Domestic technology market transactions had increased significantly. The prosperity of the technological environment laid the foundation for the rapid iteration and development of Internet technology.

The maturity of Internet technology had profoundly changed China’s economic model and service mode. The strategic emerging fields were mainly represented by five major industries—namely, information technology, high-end manufacturing, bio-economics, green low-carbon technology, and digital creativity—all of which continued to grow rapidly. Big data, cloud computing, sharing modes, artificial intelligence (AI), and other technical concepts had provided new possibilities. Such technologies could help CISs meet demand and allocate resources. Especially in the shared office areas that branded themselves as “smart and agile,” basic office needs (e.g., the Internet, photography, printing, scanning, faxing) and smart office needs (e.g., facial recognition technology, network reservation venues, advanced teleconferencing video equipment) were inseparable.

THE COFFEE SHOP: WHERE THE ENTREPRENEUR’S DREAM STARTed

Miao had been a university professor leading a relatively stable life when he decided to resign from his steady job in 2014 and jump into the business world. The idea to get into business had sprung through a WeChat group conversation Miao had had with some of his master of business administration (MBA) classmates from the Jiangxi University of Finance and Economics. In the first month after resigning, Miao conducted research at home, hoping to find a breakthrough idea from which to start his business. However, either there were no prospects in the industry or the market entry barriers were too high, so Miao did not find anything right away. Instead, a public tweet that coincidentally popped up in his notifications gave Miao an idea. The article in the tweet was a comparative introduction to some innovation crowdsourcing service platforms, including Tencent Open Platform, Kr Space, and 3W Coffee (all of these had emerged after 2010). Miao thought it might be easier to create a platform instead of a physical product; also, the start-up cost was small, and entrepreneurial services were in high demand. At that time, the city of Nanchang in China lacked a mature entrepreneurial service platform, so the market potential was huge. Miao therefore decided to create a platform in Nanchang for entrepreneurs to connect resources.

Entrepreneurs’ Café, Crowdfunding Equity

In the second half of 2014, Miao went on a business trip to inspect the many entrepreneurial cafés and incubators in Beijing and Shanghai, in an attempt to learn from them. During China’s National Day, news caught Miao’s attention that a café, Gude Café, was up for sale. On further investigation, he found that Gude Café was both large and comfortable, which would make it very suitable as a café for entrepreneurs to facilitate project communication. He immediately called some friends from his MBA program to build an entrepreneurial team, which included Guosheng Huang, Jun Chen, and Zhilong Zhou. Miao then successfully purchased Gude Café.

One day in October 2014, as the team was sitting in the café, Zhou said, “Now that the crowd innovation café is so popular, people with a bit of capital are tempted to try it. Should we follow the trend?” While the response from the other team members was positive, they shared a concern about funding for the project, as expressed by Chen: “Yes, Zhilong is right. Don’t say that we can’t see the prospects of a crowd innovation café. [However,] even if the prospects are good, where can we get the funding?”

Miao replied, “The funding is not the issue. Currently, the popular crowdsourcing mode can fix that.” Miao did not answer Zhou’s and Chen’s questions directly, but he mentioned an idea he had been considering. “This is not just a simple coffee shop, but a place where entrepreneurs can grow, and a place where all those random but creative ideas belong. If we just talk with no action, this will always remain just a conversation. We need to confirm our brand name and get things running.” The crowdsourced coffee shop idea immediately got a positive response from the team. Chen pounded the table and said, “Yes, crowdsourcing! How come I didn’t think of that? We don’t have that kind of money, but that doesn’t mean others don’t have it.”

At the end of that year, Xinke Café was launched based on the Internet + café + crowdsourcing model and was devoted to providing a communication opportunity for entrepreneurs and investors. Xinke Café was the first online-to-offline (O2O) café with a crowdsourcing model to be launched in Jiangxi Province.

To attract and retain customers and leverage platform resources, Miao led the entrepreneurial team in designing Xinke Café’s business model and clarifying its core business, which included four main aspects: First, in addition to providing a meeting place for relatives and friends and a place to drink coffee, Xinke Café offered red wine and food. Second, for theme-based salon events, Xinke Café offered catering services; guests could also use the fully-equipped spaces to organize salon events. Since its inception, the café had hosted nearly 100 themed salon events (e.g., a cigar and red wine party, a ladies’ society, an expert lecture hall, and a commercial film broadcast, as well as salon events focusing on enterprise management, tourism promotion, and health care). Third, the café offered matchmaking opportunities for high-quality entrepreneurial projects, including those of leading economic figures, bankers, investors, entrepreneurs, media figures, and members of the Chamber of Commerce. The shareholder teams of the industry elite provided financing channels for hard-working entrepreneurs with great ideas and helped to find suitable project investors. Finally, the founders wanted to create a creative market for cafés. Xinke Café was the first O2O café in Jiangxi Province. All the books and novels on display there had been recommended by Xinke’s shareholders or by Xinke members. Customers could find shareholder or membership information using the commodity code on an item and purchase that item straightaway. The products could also be purchased through the official website.

Insufficient Stamina, Limited Service

A month passed, and through the connections Miao had gathered over the years, Xinke Café gradually got onto the right track. Coffee sales, activity participation fees, and membership fees soon generated income for Xinke Cafe for the first time. In a short time, Xinke Cafe had become the most popular café platform for local entrepreneurs to exchange ideas and conduct project collaborations. Xinke’s influence in Nanchang increased day by day. However, whenever Miao sat sipping coffee in the café, he was often frowning and appeared to be deep in thought.

One day, Miao came to inspect Xinke Café, as was his custom. After these routine checkups, he usually went home directly, but he did not do so that day. He found an open seat, ordered a cup of coffee, and looked at his assistant Jiali Liu and asked, “Jiali, what do you think about the recent operations of Xinke Café?” Liu paused to formulate her answer and then replied, “It’s good; the activities are running very smoothly. Some of the frequent customers have said that the platform provided by Xinke has given them a lot.” Miao said, “Yes, but this is the problem! The participation rate of the events and the satisfaction of the customers are indeed constantly improving, but have you noticed that most of these meetings are made up of old faces, and we seem to be just waiting?” Liu understood what he meant right away and asked, “Mr. Miao, what are you going to do? Do you want to promote Xinke or expand?” Miao did not answer directly but said, “The only way to constantly meet the needs of entrepreneurs is to constantly learn to stay updated with trends. Xinke must go through a transformation; it is just a matter of timing.”

AN INCUBATOR PLATFORM READY TO SPREAD ITS WINGS

It did not take long for Miao to find the right time to change. In September 2014, Keqiang Li, the premier of China, put forward the concept of mass entrepreneurship in the opening speech of the 2014 Summer Davos Forum. In 2015, the concept became the new engine of national economic development. In March 2015, the phrase “crowd innovation space” officially appeared in “Guiding Opinions of the General Office of the State Council on the Development of Crowd Innovation Spaces to Promote Public Innovation and Entrepreneurship.” Local and national governments began to fully support innovation and entrepreneurship services at all levels—for example, by accelerating the construction of CISs for innovation, lowering entry barriers for innovative entrepreneurship, strengthening fiscal funding guidance, improving entrepreneurial investment and financing mechanisms, enriching innovative entrepreneurial activities to fully support innovation, and developing entrepreneurship services. A large number of entrepreneurial service enterprises emerged across the country. This policy was good news. It was like gospel for entrepreneurs, but it also acted as a wake-up call for them. After all, whoever started first would have the first-mover advantage.

With a Supportive Policy, It Was Time to Upgrade

In spring 2015, Miao and Liu participated in an exhibition of representative start-ups in Jiangxi Province. There, a young businessman in a suit walked directly toward Miao; he did not shake Miao’s hand, but he nodded to him. Miao could not hide the pride in his face. As he walked away, Miao smiled and said, “Jiali, do you know him? He is also doing a crowd innovation space service, and his business is almost the same as ours, although it’s not quite as good. But because the young businessman’s business was supported by the local government, it has expanded progressively and promoted itself very well.” Liu thought for a moment and replied: “Yes, recently mass entrepreneurship is everywhere, and all the local governments are making a move.” Miao’s excitement also came with worries. Nanchang was the most desirable choice of location for Miao, but he recognized the network effects of Nanchang had not yet appeared. Many companies were secretly eyeing this “big market,” and Xinke was not the only contender.

“Competitors are moving forward, which means we are going backward,” Miao said, explaining,

We chose a resource-sharing platform because it has infinite possibilities for the future. The establishment of Xinke Café was based on this original intention. Nowadays, there are many restrictions. Not only is the choice of services limited, but there are also limitations in our ability to meet the needs of entrepreneurs. The scale of a business is difficult to expand in a short period of time, but Xinke is trapped under a ceiling.

Liu replied, “I heard that the Nanchang municipal government has been preparing the ‘Hongcheng Mass Entrepreneurship Plan 1.0.’ [Through it,] certified CISs can receive support in terms of tax breaks, funding, and so on. Recently, we have also visited some CISs. Why don’t we use the mass entrepreneurship opportunity to get government support?” Miao seemed to have anticipated this and nodded firmly, saying,

You’re right. We must fight for government support. The transformation and upgrading of entrepreneurial services are inevitable. When I saw the mass entrepreneurship news, I was thinking about transforming ourselves. However, doing it all by ourselves would be very difficult. On top of that, government support is limited. We need to have something really special to stand out.

Miao and Liu were aware that the CIS was facing a major transformation.

With Unexpected Help, Exploring the Business Model

In the midst of its dilemma, Xinke received help from Xinzhong Huang, the vice-president of Beijing Oriental Garden Environment Co., Ltd. Miao and Huang met at one of Xinke’s road shows. Huang acknowledged the impact of Xinke’s activities, especially its financing ability. After learning about Xinke’s development intentions, Huang used the crowdfunding café model and the success of the Xinke incubator to recommend Xinke to the Greenland Group (Greenland), a leading real estate company. To Miao’s surprise, Greenland called one week later to invite Xinke to set up a location in the Nanchang Greenland 303 Twin Towers. Miao felt he should determine the best opportunities for co-operation between Xinke and Greenland to control the direction of their collaboration. He was eager to convene a team to analyze the mission, vision, status quo, and development of the Greenland initiative in the Nanchang market. Additionally, he thought about a possible new business model for Xinke. After three days of constantly reformulating his plan, Miao finally began to form an idea. Considering his desire to get the collaboration settled as soon as possible, Miao immediately called Jingbin Li, the deputy general manager of Greenland’s Jiangxi Real Estate division.

Site Subletting and Repositioning

In May 2015, about 10 young and middle-aged men in suits were sitting nervously after having greeted each other in a conference room in the Greenland Twin Towers. This was the first formal meeting between the business representatives of Xinke and Greenland. Discussions between the two teams (Jingbin Li from Greenland and Miao and Liu from Xinke) were frank. Liu got up and distributed the prepared business plan, saying, “Entering Greenland is a golden opportunity for us, but we also hope that the co-operation will have a high degree of complementarity, which will enable . . . a win-win situation. If you simply let Xinke open a Xinke Café 2.0 in Greenland, that would not mean a lot.”

Miao looked at Jingbin Li and said confidently,

After analysis, we believe that Xinke and Greenland can work together to do site subletting. There is space in Greenland, a business model from Xinke, and the aggregate experience of the entrepreneurs. We hope that Xinke can rent some space in the Greenland Twin Towers. Xinke will design the space as an exchange area, a road show area, and a joint office area. The exchange area will mainly be used to organize collaboration meetings and entrepreneurs’ salons to explore promising entrepreneurial projects. The road show area will mainly provide opportunities for the display and financing of quality projects. The most important and most occupied [area] would be the joint office area. Space will be rented to quality projects at a price below the market average. At the same time, Xinke will provide a complete one-stop service to accelerate the growth of entrepreneurship. In short, we are building an entrepreneurship service platform and co-operating to achieve a leap in crowd entrepreneurship!

He went quiet, and was met with warm applause in the conference room.

After two weeks of further discussions, both sides settled on a co-operation model. In the tallest building in Jiangxi—the Greenland 303 Twin Towers—they would create a Greenland and Xinke crowd innovation platform based on the shared CIS office model. Greenland not only provided high-quality infrastructure support for the development of Xinke but also offered soft services through the enterprise service platform. At the same time, Greenland created some preferential conditions such as making the first year rent-free; Xinke thus got a fail-safe deal from the collaboration. After the co-operation was established, the Greenland Xinke Platform attracted more high-end shareholder resources and incubated high-quality projects by leveraging the Greenland enterprise service platform and the Xinke brand.

With Greenland’s global service platform and Xinke’s high-quality shareholder resources, Xinke was able to rent out the remaining space to start-up enterprises or office teams, as well as assist in handling company registrations, industrial and commercial tax registrations, and other services, including information services such as product promotion; brand marketing; project financing; technical training for marketing; talent management; and holding entrepreneurial training, forums, associations, salons, and other activities. There was also free catering, with coffee and snacks, and Xinke provided spaces for conference rooms, salons, and road shows. More than 30 companies and entrepreneurial teams settled on the Xinke platform, enjoying the entrepreneurial venues and services provided by Xinke. Xinke co-operated with these companies on the design for the layout of the office-sharing business plan. Xinke had successfully transformed from innovator to sub-landlord. With support from government policy and Greenland, Xinke was further along the path of becoming a CIS.

**AN ENTREPRENEUR-DRIVEN CIS**

After co-operating with Greenland, creating the CIS became Xinke’s main focus. However, the profits from the sublease were limited, and it was difficult to continuously support the innovation of Xinke with meagre profits. Xinke’s development was gradually falling into a period of stagnation, and the multiple objectives of both revenue and profits made it impossible to meet the demands of entrepreneurs. Xinke was rejecting the needs of a large number of entrepreneurs. After a year and a half of exploration and reflection, however, Xinke finally found a way to open up more opportunities.

In February 2017, Xinke took the lead in releasing the first crowd innovation ecology in China—the Xinke crowd innovation eco-strategy, which clearly defined entrepreneur demand as the core and the Zhongke Xinke Crowd Innovation Fund as the driving force. It created a six-in-one eco-chain, including incubators, a crowd innovation fund, a venture capital mobile app, a venture capital café, an enterprise service platform, and a business school, to provide a comprehensive solution for China’s entrepreneurs. Xinke created an efficient ecological model that served social enterprises.

Crowd Innovation Funds and Serving Entrepreneurs

In August 2016, Xinke was supported by Zhongke Merchants Investments Management Group Co., Ltd. (Zhongke Merchants) and completed a round of financing. This time, Miao focused on the investment requirements of entrepreneurs and assembled an investment team. He took the lead, and Ji Wang, the vice-president of the original online group’s investment business, took the negotiation role; Xiaopeng Li was responsible for the analysis of prospects at the technical level; Lei Zhu assumed the role of investment director; and the chief financial officer’s role was assumed by Ninghui Pan, who was mainly responsible for investment evaluation of specific areas (e.g., project valuation, investment ratios, etc.). While these individuals formed the key team, they were unable to find quality projects that lacked resources. It was at this time that Xinke received government assistance.

The Jiangxi Agricultural Department recommended to Xinke a project called Gude Agriculture. Gude Agriculture was a novel agricultural project focused on safe, nutritious rice and other agricultural products. The core technology was microbial flora management, which could achieve the production of high-quality rice with zero fertilizers and zero pesticides. The founder of the project, Saishan Li, had been working on cultivating, researching, and planting wild rice for 30 years. In 2009, Gude Agriculture produced 1,070 kilograms of organic wild rice per mu,[[3]](#footnote-3) which far exceeded the usual levels. In 2012, Saishan Li’s family’s ecological farmland technology was patented, and the results were remarkable. The group required funds, labour, and other resources to operationalize its technology, and Saishan Li hoped to get Xinke’s full support. Miao saw the core competitiveness of Gude Agriculture and immediately decided to let Gude Agriculture settle in Xinke. In January 2017, Gude Agriculture won the angel round of investment led by the Zhongke Xinke Crowd Innovation Fund Platform and successfully built an ecological, three-dimensional breeding demonstration base on the banks of Poyang Lake, the largest freshwater lake in China. After working with Gude Agriculture, Xinke took the initiative to develop businesses based on Jiangxi’s advantageous resources, focusing on agriculture, education, and tourism. To build an all-around high-quality service project, Xinke also successively invested in firms, such as Shanghai Medical Blue and STEAM, and provided office space, business model guidance, road show training, and other entrepreneurship services. Compared with professional mutual fund management companies, the CIS had some distinct advantages in project discovery and incubation.

When the investment business was gradually rolled out, the transformation and growth Xinke had undergone was apparent to Zhongke Merchants. In December 2016, Xinke joined forces with Zhongke Merchants to launch the Zhongke Xinke Crowd Innovation Fund with [¥](https://www.google.com/search?rlz=1C1CHBF_enCA793CA793&q=renminbi+%C2%A51&stick=H4sIAAAAAAAAAOPgE-LQz9U3yMgziVfi1U_XNzRMtzA3Sa8qztKSy0620s8uiM8p1y_PL8pJiU8uLSpKzUuutErOz8wrXsTKA-TlZuYlZSocWmoIAAeeiGxKAAAA&sa=X&ved=2ahUKEwiK4Yvquc_gAhUHVN8KHWO1DCEQmxMoATAiegQIAhAh)10 billion, which was used to drive investment and incubate start-ups that had development prospects. The main profit would be achieved through mutual fund management and future investment returns. The main target of investment was quality crowd innovation projects, such as those in self-driving automobiles and AI. At the same time, Xinke was also working on the integration of project communications, joint offices, investment and financing, and other decentralized services, and it gradually transitioned to a venture capital incubator model, with the mission of comprehensively incubating entrepreneurship. In addition to direct investment, Xinke carefully planned road shows for promising projects and enhanced the quality of the road shows to attract better investors. Once a project was successfully financed, Xinke was able to obtain considerable service fees. With excellent service for high-quality clients, Xinke’s brand value was consistently improving.

Xinke Venture Capital: Connecting the Resources

On the days surrounding the release of the crowd innovation eco-strategy, Xinke was frequently featured in the news, resulting in huge brand promotion. This was thanks to a press conference organized by the Nanchang municipal government, to which 50 or 60 members of the media from other provinces were invited, along with the central media, local provincial media, municipal media, and social media influencers. Xinke gained a great deal of publicity in Jiangxi and across the whole country. Further, to implement the Xinke crowd innovation ecology, Miao decided to establish an online media platform to connect multiple resources and meet the needs of entrepreneurs in disseminating and receiving information. Miao delegated this to Yuanyuan Wu, who was responsible for advertising. Wu had five years of media experience and had been a reporter for three years at *Beijing Business Daily*.

In March 2017, the WeChat public account “Zhongke Xinke Venture Circle” was formally formed. Wu was in charge of the account and was editor-in-chief of the public number. Zhongke Xinke Venture Circle was a media platform that integrated online and offline aggregated maker resources, tutor resources, and investor resources. The online venture capital circle used the WeChat public account as the carrier, focusing on the promotion of entrepreneurial information related to the project, as well as information on entrepreneurial activities for makers and investors. The “Looking for Partners” road show focused on investment and financing. Each road show would be promoted online, and each was a quality project jointly guided by experts and mentor teams.

Shared Office, Investment Services

With the shared office, both the investment service and the online media service gradually got on the right track. The shared office as the basic service, however, was in a lag phase and could not keep up with the pace of development. Now that he had Greenland’s support, Miao felt it was time for Xinke’s shared office business to expand beyond the Nanchang market. As early as the end of 2016, Miao discovered the following: First, major demand for shared offices existed primarily in the central business district of each city; the more high-end office buildings there were in a city, the greater the demand was for offices. Second, smart offices were the inevitable outcome of shared offices. As a result, Xinke decided to focus on service content, innovative service models, and improving service quality to improve the original shared office business and create a high-end office platform with smart and agile office facilities and aggregated business collaboration resources. To develop the high-end shared office area, Xinke focused on the central business districts in the largest cities, landmark office buildings, and the development of smart shared-office areas. Target customers included small offices in various cities, big companies, and small and micro-enterprises that focused on corporate image and high-quality entrepreneurial projects. With its co-operation with Greenland as a breakthrough point, Xinke quickly cut into this niche market. In order to implement the plan and specify the break-even point as soon as possible, Miao divided the target cities of the shared office project into Class A (first-tier cities, such as Beijing, Shanghai, Guangzhou, and Shenzhen) and Class B (second-tier capital cities, such as Nanchang, or landmark cities similar to Suzhou). Class A cities had higher rental costs, but the estimated profit from these was more than [¥](https://www.google.com/search?rlz=1C1CHBF_enCA793CA793&q=renminbi+%C2%A51&stick=H4sIAAAAAAAAAOPgE-LQz9U3yMgziVfi1U_XNzRMtzA3Sa8qztKSy0620s8uiM8p1y_PL8pJiU8uLSpKzUuutErOz8wrXsTKA-TlZuYlZSocWmoIAAeeiGxKAAAA&sa=X&ved=2ahUKEwiK4Yvquc_gAhUHVN8KHWO1DCEQmxMoATAiegQIAhAh)1 million, which was about twice as high as that of Class B cities.

While planning the layout of the shared office plan, Xinke would include building a smart shared-office system on the agenda. In the Internet era, Xinke was committed to connecting all spaces, equipment, facilities, and back ends to respond to demand and resource allocation through the cloud and big data. Xinke also improved the sharing of high-end hardware office facilities to provide an agile and high-efficiency office experience. For example, smart lighting, smart code access control, smart conference rooms, and a smart photocopying system were arranged in Xinke’s shared offices in every city. In addition, in terms of software, Xinke grafted soft entrepreneurial services onto the hardware system by providing a one-to-one exclusive secretary, a shared front desk, designers, marketing services, and other human resources. Positioning itself as a high-end shared office brand, Xinke’s shared offices allowed each resident to enjoy VIP service, high-end office space, and a smart office. With the goal of creating a new brand for the shared office, Miao gave a strong name to the rising shared office business: ThinkerWork.

STILL ANYONE’S GAME

Throughout Xinke’s three-year growth, Miao had always insisted that “the only constant is change.” Reviewing the era of mass entrepreneurship, he had aimed to meet the needs of entrepreneurs. He had led Xinke in overcoming obstacles and successfully created an ecology and dream factory for entrepreneurs. However, the number of competitors in the industry was increasing, and the number of high-quality entrepreneurs and projects was very limited. The situation of supply exceeding demand led the entrepreneurial service industry to begin to shift from a seller’s market to a buyer’s market. CISs were facing the problem of the “homogeneity” of their models and services. And Xinke was facing the difficult problem of determining how to stand out as a leader among many CISs.

Could the crowd innovation ecology designed by Xinke inject new vitality into the development of the CIS? How should Xinke’s crowd innovation eco-strategy be improved? How could Xinke realize professionalization in and improvement of the crowd innovation ecology?

Thanks go to School of Business Administration, Jiangxi University of Finance and Economics (JUFE) and Professor Haibo Hu for their support in the development of this case.

EXHIBIT 1: CHINA’S CLASSIFICATION OF CIS OPERATION MODES

|  |  |  |  |
| --- | --- | --- | --- |
| **Type** | **Operation mode** | **Core resource** | **Third-party integrated services** |
| Social gathering | Focus on entrepreneurial events, including event communication, regular project launch events, presentations, and road shows | Hosting entrepreneurial events | Investment institutions; legal, financial, tax, media, and technical services; establishing a mentor team |
| Coaching and training | Providing entrepreneurial consultation, entrepreneurship tutoring, and staff training to provide business services for entrepreneurs at the start-up stage | Networking resources,  management training service | Investment institutions; legal, financial, tax, marketing, media, and technical services. |
| Media driven | Using the media to promote the advantage of providing entrepreneurial services for companies, such as providing information, and investment insights | Media communication; connecting entrepreneurs and investment institutions | Investment institutions; legal, financial, tax, and technical services; establishing a mentor team |
| Investment driven | With capital as the core, gathering angel investors and investment institutions to provide financing services for start-ups and solve financial problems | Investment ability | Legal, financial, tax, marketing, media, and technical services; establishing a mentor team |
| Real estate thinking | A joint office space developed by a real estate developer, similar to the WeWork model | Office space | Investment institutions; legal, financial, tax, marketing, media, and technical services; establishing a mentor team |
| Industrial chain service | Focus on industrial chain services, including product polishing, co-operation between upstream and downstream institutions in the industry chain, and establishing funds for joint investment | Provide hardware, equipment, and technical training | Investment institutions; legal, financial, tax, marketing, media, and technical services; establishing a mentor team |
| Comprehensive entrepreneurial ecosystem | Provide a comprehensive entrepreneurial ecosystem, including financial services, training and coaching, policy and legal services, operations service, and government funding | Project investment, office space, media promotion | Legal, financial, tax, marketing, and technical services; establishing a mentor team |

Note: CIS = crowd innovation space; WeWork is an office leasing company in New York, USA. WeWork model is to rent space in buildings, build the space for office use, and then license these offices to various sized firms in different industries.

Source: Created by the case authors based on Junchao Hao and Yu Zhang, “Analysis of the Status Quo and Mode of the Crowd Innovation Space in China and Foreign Markets,” *Science and Technology Research* 36, no. 18 (2016): 21–24; Xuefang Xie and Qingliang Liu, “Innovation Era 2.0 The Ecological Model of the Crowd Innovation Space: The Comparison of Innovation in Domestic and Foreign Markets,” *Studies in Science of Science* 36, no. 4 (2018): 577–585.

1. Open innovation 2.0 recommends how new markets and services can be co-created in open eco-systems and how doing so leads to a win-win situation for all stakeholders. Curley, M., & Salmelin, B. (2017). *Open innovation 2.0: the new mode of digital innovation for prosperity and sustainability*. Springer. [↑](#footnote-ref-1)
2. [¥](https://www.google.com/search?rlz=1C1CHBF_enCA793CA793&q=renminbi+%C2%A51&stick=H4sIAAAAAAAAAOPgE-LQz9U3yMgziVfi1U_XNzRMtzA3Sa8qztKSy0620s8uiM8p1y_PL8pJiU8uLSpKzUuutErOz8wrXsTKA-TlZuYlZSocWmoIAAeeiGxKAAAA&sa=X&ved=2ahUKEwiK4Yvquc_gAhUHVN8KHWO1DCEQmxMoATAiegQIAhAh) = RMB = Chinese yuan renminbi; US$1 = [¥](https://www.google.com/search?rlz=1C1CHBF_enCA793CA793&q=renminbi+%C2%A51&stick=H4sIAAAAAAAAAOPgE-LQz9U3yMgziVfi1U_XNzRMtzA3Sa8qztKSy0620s8uiM8p1y_PL8pJiU8uLSpKzUuutErOz8wrXsTKA-TlZuYlZSocWmoIAAeeiGxKAAAA&sa=X&ved=2ahUKEwiK4Yvquc_gAhUHVN8KHWO1DCEQmxMoATAiegQIAhAh)6.8810 on February 1, 2017. [↑](#footnote-ref-2)
3. 1,000 mu = 0.667 square kilometres. [↑](#footnote-ref-3)