

Co+operate for growth

Growing Scotland's creative industries



Why co-operate?

Scotland's creative industries sector employs over 60,000 people and contributes more than £2bn in economic value, with a cumulative turnover of £5bn. In 2008, 97% of enterprises in the sector had fewer than 50 employees. Around two thirds of these are sole traders with no employees.¹

The Scottish Government acknowledges that achieving critical mass and boosting productivity are key to strengthening Scotland's international competitive advantage in this sector.

By collaborating formally through co-operative business models, creative industry businesses can widen their reach, improve productivity and achieve critical cost advantages associated with larger enterprises. Employee ownership can provide a succession planning solution for many businesses, supporting their long-term sustainability.

Co-operation allows creative professionals to:

- + Combine complementary skills
- + Tender for larger contracts
- + Extend their customer reach
- + Spread costs and risk
- + Share equipment and facilities

What are co-operatives?

Co-operatives businesses are owned and controlled by their members, who can be employees, businesses or consumers. They are set up to meet shared needs and are run on a democratic basis. Employee ownership is a particular form of co-operative working in which the employees own some or all of the company's shares and influence the running of the business.

Are co-operatives an effective way of working?

A combination of shared ownership and employee participation delivers superior business performance and sustainability. Decisions are taken in the long-term interests of the members, rather than external stakeholders. Agreeing formal processes/ systems at the outset minimises governance requirements. Employee owned businesses usually have traditional management structures, complemented by enhanced levels of employee engagement through employee-elected directors and forums.

Fact:

The average creative and IT industry co-operative employs four people. Roughly two thirds are worker co-operatives and one third consortium or marketing co-operatives.²

Fact:

Co-operatives make a significant contribution to Scotland's economy, employing 28,600 and producing just over £4billion in turnover.³

“Being a co-operative allows us to pitch for contracts that we just wouldn't have the capacity to resource as individual practitioners.”

Ruth Webber,
The Very People

How do I identify the right partners?

Co-operative businesses thrive where the members have:

- + Common goals, such as growing revenues or enhancing profile to win new business or secure favourable supply terms
- + Similar or complementary products or services which can benefit from cost advantages associated with larger enterprises
- + Shared interests and values, such as ethical trading

Proven business models

Co-operative models with most relevance to the creative industries sector are:

Co-operative consortium – a collaboration of businesses who want to buy, produce and sell more effectively, while retaining their individual brands, independence and control. Often the consortium model is used to reduce costs, share risks, access new opportunities or introduce new processes that require scale.

Employee owned businesses – are businesses in which the employees, rather than external shareholders, hold the majority of the shares and control. Employee buyouts allow exiting business owners to receive a fair price while securing the future of the business and its employees. The business is usually acquired on behalf of the employees by an employee benefits trust. A category of employee ownership is the **Worker co-operative** that operates on a democratic basis, often with an emphasis on sharing information and strong ethical standards.

Consumer and community co-operatives – are owned by their customers or members to provide the goods and services that they need.

Co-operative opportunities

“For those working in the creative and IT industries, co-operation offers an opportunity to break out from a somewhat isolated freelance working environment.”

Co-operatives UK

Co-operatives UK, the membership body for co-operative enterprise, conducted a survey of creative and IT co-operatives which informed the production of a guide for individuals starting a career in the creative industries. Survey feedback highlighted the critical benefits of co-operation for creative and IT industry practitioners, including:

- + Support network for those who often work alone
- + Greater credibility and confidence
- + Hands-on control and independence
- + Ability to plan ahead and tender for larger pieces of work
- + Co-operative ethos stands out from the crowd

Mary Rayner, Co-operatives UK Policy and Research Officer, said: “What is clear from this survey is that the [co-operative] model is seen by many as providing a social and environmental edge over more conventional business models.”

The Co-operatives UK guide highlights the opportunities of co-operation to new and established creative and IT industry professionals including:

- + Freelancers
- + Recent graduates
- + Professionals who have been made redundant

The vast majority of respondents to the Co-operatives UK survey had accessed specialist co-operative business advice. Co-operatives in the survey sample covered design, publishing, advertising, film and video, performing arts, crafts, music, software, art and antiques, television and radio, computer and video games and designer fashion.

² Co-operatives UK, Creative and IT Co-operative Survey, October 2009

³ CDS: Baseline position for Scottish co-operative sectors, Ekosgen, January 2010

Fact:

Many co-operatives are incorporated as limited companies and registered at Companies House, the same as other business models.

“CDS were instrumental in providing the information we needed on the different co-operative business models and how it all worked.”

Alasdair Macmillan,
Atomised

Myth

“Co-operatives don't perform”

Not True. The survival rate of co-operatives after five years is 64%, compared to 36% for investor-owned firms.⁴

CASE STUDY: Worker Co-operative

Atomised

Atomised was set up in 2008 with the help of Co+operative Development Scotland (CDS) and is a Fife-based worker co-operative specialising in ethical web design and development. The company specialises in working with the charitable, voluntary and public sectors and hosts all the websites it develops on servers powered by renewable energy. “There's real loyalty and ownership, because we're all equal,” says Alasdair Macmillan, one of three founding directors. “We share all the decisions, we share ownership and we're all at the same level. It's a flat structure and that, for us, really works.”

CASE STUDY: Consortium

The Very People

The Very People is a consortium co-operative of highly experienced editorial, PR and marketing consultants based in Edinburgh and Glasgow. Since it was set up in 2006 with a small initial investment, the co-operative has generated significant additional revenue for its six member businesses. It is managed alongside the individual member businesses, and generates additional revenue through shared procurement, sales and marketing. CDS advised The Very People on its structure, members' contract and incorporation.

CASE STUDY: Worker Co-operative

The Graphics Company

The Graphics Company is an Edinburgh-based workers' co-operative providing print and web design to the voluntary, public and social enterprise sectors. It has five members and a following of loyal customers. For the members, co-operation means being in control of their own destiny. “You're always talking to the boss,” adds founder member Steve West. “The customer is always dealing with someone who really cares about the company and cares about getting it right.”

CASE STUDY: Consortium

Bridges: The Actors Agency

Bridges: The Actors Agency is a consortium co-operative of professional actors set up with help from CDS in 2008. The members work in the world of theatre, radio, television, voice-over, corporate and film. By working together, each member has increased their income by securing additional work. Bridges member Carrie Mancini says: “With hard work and initial support from CDS, we now have a thriving business to be proud of.”

CASE STUDY: Worker Co-operative

mediaco-op

mediaco-op is a Glasgow-based workers' co-operative specialising in films on social issues and operating locally and internationally. “It's unusual for a production company to be a co-operative,” says Louise Scott, one of six on the mediaco-op team. “But an ethical company structure based on shared values and worker ownership was the obvious choice for us, because, as a team of media professionals, we founded mediaco-op to produce films that express our values and make a difference. Whether we're making an international TV documentary for Channel 4, a series of films for Oxfam GB or webclips for a local charity, we bring the same passion and broadcast production values.”

⁴ British Columbia Co-operative Association

How can we help?

CDS's role is to provide specialist advice to new and growing co-operative and employee owned businesses to complement the mainstream support provided by Scottish Enterprise, Highlands & Islands Enterprise and the Business Gateway. CDS support includes:

- + Exploring the options
- + Structuring the company
- + Financing the business
- + Developing member participation

Co+operative Development Scotland operates across Scotland and is a subsidiary of Scottish Enterprise.

Contact us today on 0141 951 3055

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You can also visit us online at www.cdscotland.co.uk

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