

Co+operate for growth

Growing Scotland's textiles sector



Why co-operate?

Scotland's textiles sector has an international reputation for quality and is an important contributor to Scotland's economy, with annual turnover approaching £900m and over 10,000 jobs.¹

The industry has radically altered from the days of bulk manufacturing for high street retailers and is now characterised by niche suppliers seeking to target specialist and high-end markets.

By collaborating formally through co-operative business models, textile companies can widen their reach, improve productivity and achieve cost advantages associated with larger enterprises. Co-operation can also be a key factor in driving new product and process innovation. Employee ownership can provide a succession planning solution to the many textile businesses who are small family firms, supporting their long-term sustainability.

Co-operative business models allow textile companies to pool resources and achieve scale without having to increase staffing, property or investment. The models are frequently used to:

- + Grow income and reduce costs by collectively purchasing, processing and selling
- + Develop new products and access new markets
- + Safeguard the future of the business and its employees
- + Increase productivity and innovation through employee involvement

What are co-operatives?

Co-operative businesses are owned and controlled by their members, who may 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.

Fact:

90% of [textile] companies are Scottish-owned, while the majority of those that are foreign-owned continue to have their decision makers based in Scotland.¹

Fact:

There are 647 companies in Scotland's textiles sector, directly employing 10,100 people¹

Fact:

Co-operatives make a significant contribution to Scotland's economy, employing 28,600 and producing just over £4billion in turnover.²

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.

How do I identify the right partners?

Co-operative businesses thrive where the members have:

- + Similar or complementary products or services which can benefit from the economies of scale enjoyed by larger enterprises
- + Shared interests and values, such as ethical trading
- + Common goals, such as growing revenues or enhancing profile to win new business or secure favourable supply terms

Proven business models

Textile businesses can benefit from a number of co-operative models:

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 requiring 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 special 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 goods and services. These can include shops, visitor attractions and community centres.

Co-operative opportunities

"There is an increasing collaborative culture in the textiles industry, which wasn't apparent seven years ago. There is also an increasing willingness to share knowledge and capabilities." Ekosgen

Research² commissioned by Co+operative Development Scotland (CDS) indicates a number of collaborative growth opportunities for textile businesses. These include:

Joint R&D – forming co-operatives to share the cost and risk of developing products for new technical markets, such as vehicles and ballistics.

Joint marketing – joint marketing activity to achieve scale and market share, such as showcasing groups of designers in temporary shops or concessions.

Buying power – using co-operatives as buying groups to achieve cost advantages enjoyed by larger enterprises.

Employee ownership – using employee buyouts to provide sustainable succession solutions for small businesses.

² Size and Scale of Opportunity for Co+operative Development Scotland, Ekosgen, January 2010.

CASE STUDY: Consortium

Harris Tweed Artisans Co-operative

Harris Tweed Artisans Co-operative was set up in 2009 by 12 businesses in the Outer Hebrides making products from Harris Tweed, including clothing, soft toys, accessories and homewares. CDS helped create the consortium co-operative by arranging specialist support through one of its advisers. Ann MacCallum of Hebridean Dreams on the Isle of Lewis, explains: "The co-operative really was set up as a way to help sell what we produce. All the products are made on the island from Harris Tweed and are sold through our shop in Stornoway or online. The co-operative acts as an agent for all of the member businesses." Everything the members sell goes through the co-operative, which retains 2% of all revenues. The benefits of co-operation include sharing the cost of exhibiting and other resources.

CASE STUDY: Employee Ownership

W L Gore & Associates

W L Gore & Associates is a manufacturer of fluoropolymer products, including high-performance fabrics for medical and electronics markets, and is best known for its GORE-TEX® brand. The company is owned by its employees and has nearly 400 associates at sites in Livingston and Dundee. Founded by Bill Gore in 1958, the company attributes its success to its unique egalitarian culture. "There are no line managers, supervisors, or operatives at Gore – we are all associates, all part of strong teams and accountable to each other rather than answering to a traditional line manager," explains Gore UK associate Bob Doak. "This allows the associate the freedom to understand his or her value within their team – empowering them to push the boundaries of achievement and maximise their contribution." W L Gore's annual revenues are \$2.5bn.

CASE STUDY: Collaboration

The Scottish Cashmere Club

The Scottish Cashmere Club is an association of 12 textile, knitting and yarn companies collaborating to brand and market cashmere products to a global audience. The branding provides a 'stamp of authenticity' which recognises quality. They undertake a range of activities designed to support and promote cashmere products made in Scotland. The Club also provides a platform from which to address relevant issues of concern to members and to the industry as a whole. They are currently developing a joint Marketing Plan that includes long term, sustainable projects. Although not recognised as a co-operative, it operates in the same way.

CASE STUDY: Consortium

The Wool Clip

The Wool Clip is a Cumbria-based co-operative of sheep farmers, spinners, dyers, knitters, feltmakers, weavers and other wool workers. It was set up in 2001 in the wake of the foot and mouth crisis to add value to local wool and to market members' products. The co-operative sells yarn and woollen goods from its shop in The Priest's Mill at Caldbeck, where it has recently moved to bigger premises in response to growing demand. The expansion follows Wool Clip's success in winning the North West Women in Business 2009 social enterprise award.³

INTERNATIONAL STUDY: Consortium

The Contemporary Textile Studio Co-operative

The Contemporary Textile Studio Co-operative was developed in 2006 by a group of textile artists and craftpersons in Toronto to provide access to affordable and properly equipped studio space. A small group of members direct and manage the co-operative and have access to the studio on a full time basis. Other emerging and professional artists and craftspeople participate in the co-operative's extended studio community through workshops, textile talks, special events, and an online studio.

³ Co-operatives UK.



"Employees can't afford to buy the business"

They don't have to. A trust borrows the money to buy it on their behalf.

“ Textile skills have fuelled the growth of the advanced technical sector, with world leaders in medical and performance textiles based in Scotland. Scottish textiles has global reach and there is scope for the more forward thinking to collaborate on elements of the supply chain to achieve efficiencies and enter new growth markets ”

Ekosgen¹

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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