

# Shared services and performing arts co-operatives

**Edwin Juno-Delgado, Burgundy Business School**

**Maureen McCulloch, Oxford Brookes University,**

**Christine Sinapi, Burgundy Business School.**

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## Introduction

Performing arts are built on collaboration. Many performing arts organisations are driven by the missions of producing art and building a better world through the self-fulfilment of the artists but also through the benefit of art for the wider community. So the co-operative ideal should sit well with performing arts organisations and yet there are very few registered co-operatives in performing arts in the UK, and only slightly more in France. Our research investigates this paradox

Culture and arts in general, requiring collective financing, tend to receive government subsidy to a greater or lesser extent.. They are particularly at risk in the current economic crisis. Within the cultural sector, performing arts companies are particularly fragile (Urrutiaguer and Henry, 2011). The performing arts are essential to society, not only for the artistic value created, but also in economic terms (Nicolas, 2010). Many performing arts organisations are hybrids; they earn much of their income from trade but also receive government subsidy. In this the sector could be likened to agriculture or any other sector which enjoys government support. They are closely linked to regional economic development. They play an important role in a country's economic and social development. They are also business entities: they are employers, producers, consumers and partners in the marketing and promotion of their cities, regions and countries. Their sustainability is thus not just a sector specific question.

Most European governments are cutting their budgets for cultural activities. In the UK the Arts Council budget was cut by 30% in 2010 to take effect over four years.<sup>1</sup> This has had a large impact on the independent (non-commercial) performing arts sector in the UK. In France, where the cultural sector is historically heavily supported by public funding, the culture budget has remained stable in 2011. But this situation is clearly precarious, French political will and capacity to maintain such public financing being highly questionable.

In this context, investigating new economic models<sup>2</sup> to encourage sustainability, to secure funding, to safeguard employment and to ensure a diversified cultural output is required. This is a practical aspect of this research. In the UK, most independent (non-commercial) performing arts organizations are not for profit, many are registered charities; similarly in France, most artistic troops have non-profit associative status. These organisations may need to adopt a more "business" like orientation in order to survive in the current crisis. Co-operation may offer a possible route (Urrutiaguer and Henry, 2011, Sinapi & Juno Delgado, 2011).

The research also has a theoretical aspect. Within the literature on the co-operative movement, although a growing emphasis is being placed on services co-operatives<sup>3</sup>, there is little about performing arts, or arts in

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<sup>1</sup> Arts Council UK

<sup>2</sup> There are growing interests among international cultural institutions to identify innovative business models for the sector ; The Forum d'Avignon, which defines itself as the "Davos of Culture", dedicates a large research area to innovative "culture, financing, economic models" (Forum d'Avignon, 2012, [en ligne : <http://www.forum-avignon.org/en/culture-financing-economic-models>]).

<sup>3</sup> See esp. Birchal (2010).

general. We intend to add to this literature: our exploratory research should help to better understand co-operation and diverse models within performing arts and the motivations and perceptions of performing arts organisations. It may be possible to suggest ways to improve co-op legal design in order to meet the needs of arts organisations. This approach will contribute to the debate about the emergence of new models in co-operatives (Cook & Chaddad, 2004), especially in service and collective interest organisations (Birchall, 2011, Atherton *et al*, 2011).

This chapter will be organised as follows. In the first part, we discuss the research question, present the case methodology. We focus on three key research questions: What forms does co-operation take in performing arts? What are the perceived benefits and/or disadvantages of co-operation in such organisations? Can co-operation help to face the crisis in the sector (does it promote sustainability)? The following parts address these research questions through a comparison of eight case studies, four French, three UK, one Italian. We conclude with a discussion of the new forms of co-operation these organisations demonstrate.

## 1. Research questions, methodology, case selection

Our research question is rooted in the following observation. Iconic arts organisations in France formed as co-operatives in the 1970's: for instance the well-known Théâtre du Soleil founded around Ariadne Mnouchkine and the Café de la Gare, which involved the famous French artists like Coluche, Miou-Miou or, for a time, G. Depardieu,. Yet, whilst discussion with case study companies indicated that artists have sympathy with the co-operative form, and while some research suggests that co-operation in performing arts organizations (PAO) may promote sustainability (Sinapi & Juno-Delgado, 2011) or help in the light of the current structural changes in the sector (Urrutiaguer and Henry, 2011), a majority of French PAO's are formed as not-for profit organizations – not as co-ops. Similarly in the UK, most independent PAOs are not for profits, many are charities – not registered as co-ops. Very few performing arts organisations in the UK are co-ops<sup>4</sup> and to a lesser extent in France. In a very large sample of more than 500 French theatre companies, Urrutiaguer & Henry (2011) only identify one co-operative and only a few considering changing from associations to co-operative (SCOP or SCIC), while only 3.5% of the sample companies indicating a desire to develop mutualisation. Some of the co-operative principles are nonetheless observed as 13% of the sample companies have a collective managerial board. Our purpose is to explore why so few performing arts organisations are formal co-operatives.

### 1. Research question

This research issue is subdivided into three **key research questions**:

- What form does co-operation take in performing arts organisations?
- What are the *ex-post*, *in* and *ex ante* perceived advantages and disadvantages to being a co-op in this sector?
- In particular, does being a co-operative help with regard to the effects of the current economic crisis (budget cuts especially)?

Our hypothesis is that in the performing arts, many organizations act as co-operatives without legal recognition (registering as a co-op (UK) or adopting co-operative status (France & Italy)). We thus define co-operatives in reference to the way business is conducted rather than the legal constitution. The “*Practical Tools for Defining Co-operatives*” developed by Atherton *et al* (2011) relates more to how a business behaves rather than how it is legally structured. The tool focuses on member control and co-operative ethos as being the co-op's key dimensions. Although the tool was developed for organisations to self-identify as co-operatives, we are using it to identify organisations which are acting as cooperative but which do not necessarily claim co-operative status.

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<sup>4</sup> A panel discussion at the Independent Theatre Council summer event in July 2011 about co-operatives uncovered no current co-ops amongst the approximately 200 member organisations attending the event.

The research questions are addressed through a set of interview questions and are mapped against Atherton et al's practical tools, as set out in the appendices.

## 2. Methodology

Our comparison is initially based on a "country" criterion: we compare French, British and Italian cases. It is secondly based on a "moment" criterion: we compare *ex ante*, *in* and *ex post* perceived co-ops *pro's* and *con's*. We consider PAOs at three stages of co-operative engagement: companies considering becoming co-op's (*ex-ante* perception), companies functioning as co-op's (*in* perception) (using Atherton et al's criteria but allowing for the fact that these organisations have not necessarily self-identified as being co-operatives) and companies ceasing or having ceased to be co-ops (*ex-post* perception). In each case, we raise the question "Why?" :

- Why is the organisation considering becoming a co-operative? (*ex ante* perception)
- Why had the organisation chosen a co-operative ethos? (*in* perception)
- Why is the organisation ceasing / has ceased to be a co-operative? (*ex post* perception)

## 3. Case selection

In this research, we focus on small and medium sized performing arts organizations (total revenues of less than £ 4million /Euros 5m<sup>5</sup>). PAOs traditionally include theatre, dance, music, street performing arts, circus, marionettes and story-telling (contes). Theatre is the most common in France; our cases reflect this<sup>6</sup>. The age of our selected cases vary between 1 and 20 years, which also corresponds to the French industry (nr of companies significantly drop after 20 years, average age is 12 years, median is 11)<sup>7</sup>. The scope of our cases is thus largely representative. The UK cases are all organisations of more than twenty years' standing, one umbrella body for the independent theatre sector, an orchestra, celebrating its twenty fifth anniversary in 2012, and a touring theatre company which has been in existence for forty years. They vary in size from turnover of £3.6m (euros 4.6m) to turnover of £200,000.(euros 257,000).

Table 1 – Selected case studies and comparison criteria

Comparison criteria: <i>Moment</i> / <i>Country</i>	FRANCE	ITALY	UK
<i>(ex ante)</i> considering becoming a co-op	Coursive Boutaric	Fanny & Alexander	Independent Theatre Council
<i>(in)</i> Sharing the co-operative ethos	L'Autre Bout du Monde (SCIC) Solentiname (SCOP) <sup>8</sup>	Coop E	Orchestra of the Age of Enlightenment
<i>(ex post)</i> ceasing / having ceased to be a co-op'	Compagnie 4 litres 12	<i>none</i> <sup>9</sup>	Red Ladder

<sup>5</sup> In France, the average company's budget is estimated to be €131.000 (Urrutiaguer and Henry, 2011) €115.000 for theatre, varying between €25.000 & €320.000 (Avisé, 2005). 70% to 77% of companies' budgets are below k€165 (Arcadi 2007, Urrutiaguer and Henry, 2011).

<sup>6</sup> Theatre is estimated to represent 48% of the PAO's in France in 2009, dance 20%, the others resp. to 8%, 6%, 6% and 3%, while 10% of companies declare hybrid activities of at least two of the above (Urrutiaguer and Henry, 2011).

<sup>7</sup> Urrutiaguer and Henry (id.)

<sup>8</sup> Since two legal forms for cooperative exist in France, we selected one of each: a SCOP and a SCIC. These legal parameters are further discussed in the second part of the chapter.

<sup>9</sup> We failed to identify Italian performing arts coop's having ceased their activity, due to insufficient access to Italian data. This should be viewed as a limit to the case study for this country. The Italian case will thus only be considered as an additional and illustrative perspective to the French – UK comparison we draw in this research.

## 2 Case Study Summary

### French Cases

#### SOLENTINAME

The first cooperative is a SCOP (see next section for explanation). Solentiname was created by four young artists from different fields of the performing arts and an administrator. It was formed as a co-operative five years ago. Its purpose is to be a "performing arts co-operative whose aim is the practice, creation and diffusion of arts with an approach which is militant, citizen, poetic and ludique". It has grown smoothly since its creation, both artistically and financially. Its object is artistic and it assembles artists of different disciplines (theatre, dance and music). It also includes a social dimension and a territorial (region level) anchoring (two contrasting examples may be given: contract for cultural actions with the regional hospital, participation in the Avignon festival). The financial and budgetary management is prudent: each project is intended to generate a margin to cover the co-operative fixed costs; a targeted profit level is calculated each year, which is fully retained as reserves in order to create sufficient equity level; they aim at a certain financial independence by keeping their subvention rate below 30% (this is a choice and not a legal obligation). The co-operative shows balanced budgets and is financially sustainable.

Solentiname had originally chosen to be a SCOP on the basis of founding members' past experiences, in favor of co-operation. This choice was first motivated by the artists' (members') wish to have full control over their own activities. The founders also chose to create this scop in order share (managerial, administrative, legal) skills and resources between their different artistic projects, in order to have access to and be able to afford them. The choice of co-operative is also dictated by their adherence to democratic values of co-ops and to a militant dimension: Solentiname members view co-operative status as a way to claim their professionalism and to make society aware of the economic contribution of performing arts. PAO's are often seen in France as over-subsidized, as a non-sustainable activity or even as a cost to society. Choosing a commercial legal form (co-operative) which is at the same time coherent with their democratic and philosophical values, is a militant act: they affirm that performing arts create not only social and artistic value, but also economic value, jobs, revenues etc. and can make a living from their work for artists ; in particular, they refuse to engage in voluntary work. Choosing co-operative status is a way to demand social recognition of the economic contribution of performing arts and its professionalism. This aspect of co-operative status appears as fundamental in this case study. The co-operative status is also viewed as more professional and serious (than associations), which has in some cases helped to obtain contracts vis a vis some customers (for cultural action for example).

The perceived obstacles of co-operative status are mainly financial: because they are a co-operative, they cannot benefit from certain local subsidies or support; this is not due to any official legal constraint but to the discretionary decisions of some local authorities (some others on the contrary support their co-operative status). Besides, being a co-operative generates additional costs compared to an association (higher income tax rate, contribution to be paid to the co-operative movement).

#### L'Autre Bout du Monde

The second French registered co-operative is a SCIC (see next section for explanation): L'Autre Bout du Monde is a bistrot-spectacle located in Dijon (Burgundy). It was created in 2009. Its purpose is to promote local young artists (musicians) on a boat ("Péniche Cancale") which has been transformed into a restaurant - theatre. The restaurant aims similarly at promoting local wine producers (Burgundy wine and gastronomy). The place is also rented, during week time, which brings additional revenue to the co-operative. The company is growing and benefits from support from local authorities and from a large audience. It has however made losses since its creation and is, in practice, not yet financially sustainable. The funder (and owner of the boat) has had to add money to the project every year in the form of gifts (and receives no additional shares for this)..

The main motivation which led the creative members to form their organization as a co-operative are comparable to Solentiname: it is perceived as a militant act, not only in ethical terms (attachment to social economy

principles) but also to claim and demonstrate that artistic projects are also economic entities, which can and must be economically sustainable. Co-operatives are seen as a balance between creative activity, commercial activity and not-for-profit cultural organisations. Choosing a co-operative status was perceived as a help in setting up a cultural project which would also include an economic logic. The main perceived advantages of co-operative status for PAO are the following: to link ethics, militantism and commercial activity ; stronger involvement of members and employees than in a "traditional" commercial society ; adhesion to social economy values embodied by the SCIC status. Besides, some specific funds were obtained at the creation of the SCIC, which are related to this specific status. This was however not determinant in the choice of the status.

Several drawbacks to being a co-operative are observed: Difficulty in the decision process due to the need for discussions and consensus among a large number of persons, diversity and multiplicity of the members and interests; the need to have a manager who agrees with the ideal of democratic management. However one of the primary reasons for choosing to be a co-operative (financial sustainability, expected better than for associations), has not been achieved: the project is not financially sustainable as it relies on regular injections of funding from the boat owner. No financial advantage (except on setting up) can really be proved to come from co-operative status. On the other hand, the competition among artists does not appear as an obstacle to co-operation. On the contrary, collaboration, artistic and human, within the co-operative, is seen as one of its strongest advantages.

The two other French cases are on the one hand an association considering becoming a co-operative (Coursive Boutaric) and on the other a SCOP ceasing its activity (4112).

### **Coursive Boutaric**

*Coursive Boutaric* is a non-profit association which is in the process of becoming a co-operative (a SCIC, as L'Autre Bout du Monde, discussed above). It is a culturally based organization which is working with a primarily social aim of regenerating a neighbourhood through creative projects. It is based in a partially disused and run down building in the Gresilles quarter of Dijon.

Coursive Boutaric will bring together about thirty cultural organizations based in the building and current (domestic) residents along with the local government of Dijon. The funding comes from several sources, including local co-operative societies, but is predominantly public money. It will be a multi-stakeholder co-operative, for shared services.

The advantages of the co-operative form are seen to be the flexibility of the organization to represent the interests of the variety of members, the efficiency of shared services and the sharing of knowledge between members. The disadvantages are seen to be that the complexity of democratic processes makes them cumbersome, there is the danger of "free riding", members may not be able to co-operate. There does not appear to be any financial advantage for Coursive Boutaric in adopting the co-operative form.

### **4112**

*Compagnie 4 litres 12 ('4112')* was created 40 years ago. It is a small theatre company. Initially formed as an *Association Loi 1901*, it changed its legal form to a co-operative (SCOP) 25 years ago, grouping as co-operative members the four historic members of the troop around the artistic director – who became the co-operative manager. Its primary purpose is artistic creation: creation and diffusion of theatre.

4112 is a theatre company recognized at the regional and national level ; it benefits from the DRAC (ministry of culture) convention. Its activity has fluctuated with the economic cycle of the sector with success over the last 40 years. The company conforms to all legal obligations of a SCOP in France. It has no debt. 4112 thus appears to be a sustainable and robust company, at the artistic, organizational and economic levels. The company is managed and fully controlled by its members, in all decisions (strategic, artistic and day to day). It fully conforms to Atherton et al's criteria, in terms of membership as well as co-operative ethos. Yet, since the beginning of the financial crisis in 2008, the reduction in the French cultural budgets has impacted 4112 very negatively (directly, with the end of the DRAC subvention and indirectly with the reduction in theatre financing). The company's financial position has been critical for the last three years. In this context, a specific project which generated significant losses could not be absorbed and 4112 have decided to go into liquidation.

The initial reason why the members chose to become a co-op was political: in 1986, the right-wing ministry of culture (ministry Leotard) put pressure on companies to adopt commercial legal forms in order to improve their professionalism. 4112 chose the co-operative form, since association was no longer possible. This choice was dictated by several motivations: adhesion to political and philosophical co-operative values of equality and democracy; perceived synergy between the collective dimension of theatre and that of co-operation; image and exemplarity of historic artistic co-operatives (Café de la Gare, Théâtre du Soleil). The SCOP status is perceived as having provided no advantage to the company, as compared to associative status, other than demonstrating adherence to co-operative values (democracy and sharing) . On the contrary, a series of obstacles are perceived: incompatibility between the commercial objectives of a SCOP and the artistic purpose of a theatre company ; bureaucracy attached to managing a SCOP compared to an association (accounting revisions, revisions and control by the co-operative movement, legal complexity) ; legal constraints e.g. limitations on hiring artists (SCOP is incompatible to some extent with intermittence regime and with some subsidized employment contracts dedicated to arts like "TUC"); managerial discordance, as the obligation to have a "manager " is not compatible with real democracy within the troop; financial discordance, as the retained earnings principle within co-operatives in France, inspired from investment needs in agriculture, is not compatible with the need to retain money to finance artistic research for future creation (while it is possible with associations). Finally, there is a feeling that public funding is more difficult to obtain for a SCOP, especially if it shows (even small and retained as reserves) surpluses. This is incompatible with the fact that public authorities should fund sustainable companies, which need to build capital by retaining – thus generating – a certain level of profit. But, in the end, the biggest difficulty for this organization, in the current difficult economic context, is not due to its status; the company's difficulties owe more to the way in which public funding is being allocated and to the organization of expert commissions.

#### **4. The Italian case: Coop E (/ Fanny & Alexander)**

For Italy, we have selected one case represented by two related organisations : Co-op E and Fanny & Alexander.

Co-op E was set up as a co-operative in January 2012 by four arts organizations (dance, contemporary theatre) which were, up to this date, independent non-profit associations (ASBL's<sup>10</sup>). The founding members (company Fanny & Alexander) have a very good reputation; their theatre company has been successful for 20 years. Their willingness to associate with the three other younger companies is primarily viewed as a way to share the management of the local artistic space of the city of Ravenna, which has entrusted Fanny & Alexandre with it for a long time. The city has recently refurbished the space and is installing a bar. Co-operative status, because it has a commercial purpose, is perceived as better adapted than the non-profit associative previous status to manage this space and bar, all the more as the company's revenues are mostly from sales and co-production. The choice to create the co-operative is however primarily motivated by artistic objectives and militancy. They "love" the artistic work of those younger companies and expect this artistic co-operation to stimulate and develop further creativity and esthetic objects. Meanwhile, within the association, Fanny & Alexander's reputation should help promote the younger companies; the objective of the co-operative is to be a kind of launch pad for young talented artistic companies. To some extent, the co-operative, thanks to the history and fame of Fanny & Alexander, carries more weight with the public authorities and can command more funding and space than the companies could separately. The adoption of co-operative status is a militant act : militancy for a project mixing arts, sense, territory, politics (democracy and "anarchy"). This approach is exemplary and also aims at being an example or a pilot for future expansion of this model throughout Italy. It should be noted that Coop E is both endorsing a co-operative legal status and also perfectly suits all criteria of Atherton et al, regarding membership and co-operative ethos.

Besides the philosophical, esthetical and artistic principles which are the real objectives and motivations of the co-operative, some additional (though less significant) advantages are seen in the co-operative form : the status conveys an image of seriousness that association does not, especially in Italy (where the associative

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<sup>10</sup> «Associazione Culturale» is the official Italian denomination, it's automatically an organization «senza fini di lucro» : non for profit association (authors translation).

network seems to be somewhat corrupt) ; the network of co-operatives is very efficient and helpful for arts organisations (legal information, help for creation, budget advice, etc); the shared financial resources would also enable each company to finance artistic research and creation, alternating years / periods of show and periods of research in a more stable and secure financial environment.. Finally, the hypothesis that competition among artists is an obstacle to co-operation is rejected; on the contrary, in this case study, co-operation comes after years of collaboration among artists. Artists are collaborators much more than competitors. "*We see now young companies with the same collaborative perspective; there is something in the air, in culture, in our city, where collaboration is more important than competition. Theatre is a small market, but collaboration will make its space grow and develop its market. Competition is a false problem*" (verbatim) This suggests that a new generation of artists is ready for co-operation, for co-operation which is not only an ethos but also an artistic and militant identity.

## 5. The UK cases

### **Independent Theatre Council**

*The Independent Theatre Council (ITC)* has existed for almost 40 years. It is a representative body of about 400 independent (non-commercial) theatre companies throughout the United Kingdom. Membership varies annually (between 300 -500) as it is based on annual subscriptions.

Since 2010 cuts in public funding for the arts in the UK have led ITC to redefine its activities and organisation. ITC is now considering becoming a co-op. It is not a registered charity (see next section for a discussion of UK charities).

Although it falls in the first category – of an organisation considering becoming a co-operative, looking at legal status – ITC already conforms to the co-operative ethos as recognised by Atherton *et al.*. Most importantly, it is a membership organisation, a shared services organisation, controlled by the members (who subscribe annually) for their benefit. The members are organisations or individuals. The members voted that the level of subscriptions should be set at a point where the larger companies would support the smaller to an extent. In this ITC is showing "*parrainage*" as noted in the French and Italian case studies.

The membership elects the board. All board members are members of ITC.

ITC does not distribute profits but it has, over the years, retained surpluses so that it is in a position to weather the current crisis, to a certain extent. The benefits to members are access to professional advice, management and operational training, networking with others who share the same values which can lead to smaller networks sharing resources – spaces, administrative capacity etc – and advocacy and political voice for the sector.

Control is exercised by the members through elections to the governing board and through formal and informal canvassing of opinion. ITC provides an advice help-line which also acts as a method of monitoring what is happening in the sector, highlighting the issues that are important to members in a rapidly changing environment – economically and legally.

Members are regularly asked to debate and sign up to the shared values of the organisation. ITC organises several networking events with arts funders as well as peers, each year. ITC acts as a lobbyist on behalf of the sector. To a large extent, ITC can be credited with articulating the existence of the independent theatre sector in the UK. In that sense, it can be seen as pivotal for the independent theatre sector in the UK. In this it can be compared to Fanny & Alexander above, where the organisation is consciously developing the sector.

It is significant that the first purpose of ITC is to provide a framework to allow great art to be created and to thrive. The "professionalization" of the sector is seen as the means by which artistic quality can be protected and art can thrive. The purpose is primarily the quality of the production.

ITC is now entirely membership funded. It was previously also project funded by the Arts Council (until 2010). It was funded by the Arts Council to provide training for the sector. The Arts Council in England & Wales is an “arms-length” funding body. It is funded by the Department for Culture, Media & Sport but it makes its own decisions about which organisations it supports. Supporting ITC’s training schemes was part of a deliberate policy to “professionalise” the sector. When the funding for those activities (amounting to half the overall funding for the organisation) was withdrawn, ITC had to reduce its staff and also moved premises but, in doing so, although it was difficult, it retained, even regained, its sense of mission and purpose. The current economic crisis is probably the most serious financial situation that the organisation has faced. That is because it relies on membership subscriptions and its members and potential members are suffering cut backs in funding as well. The future looks less secure than it has done for many years.

It is an example of a shared services co-operative (following Atherton *et al*) without being a registered co-operative. The board of ITC has recently discussed the possibility of becoming a registered co-operative. The benefits of becoming a co-operative are not seen as financial but more as confirming the democratic values and aligning ITC with the wider co-operative movement.

There are no perceived direct benefits of becoming a co-operative other than the potential for actively recognising the synergy between creative values and those of the co-operative movement. This recognition of the synergy in shared values is not insignificant; however it is not that straightforward either.

The history of the co-operative movement with independent theatre in the UK is quite complicated. There were several co-operatives in the performing arts – particularly in theatre - in the mid-80s but the political climate of the period was antagonistic towards them and most either folded (due to reduced funding) or changed their status (see Red Ladder below). One would expect there to have been a revival of co-operatives within the sector over the past decade (before the current government took power). But this did not happen. Co-operative status in the performing arts is not seen as a militant, political act in the UK as it is in France. This might be because the membership based company limited by guarantee (non- profit- distributing) form is so prevalent and lends itself easily to democratic governance combined with community purpose. This is an area that it would be fruitful to research further from the co-operative movement’s point of view.

It might also be due to the image of co-ops within the performing arts in the UK as rather old-fashioned and bureaucratic. In this the findings are compatible with expectations from the co-operative literature. However, although it was noted that some members use the free advice line a lot more than others, members voted recently for a tapered subscriptions structure which means that the larger organisations within ITC subsidise the smaller ones. The potential for free-riding is noted but not considered a problem.

There are a few other shared services co-operatives within the performing arts in the UK. There is an actors’ agency which has been in existence as long as ITC and has now been copied by technicians in the film industry in partnership with their union (BECTU) and Co-operatives UK. These are employment agencies where the actors/technicians retain control over their employment.

### **Orchestra of the Age of Enlightenment**

The second case study, *The Orchestra of the Age of Enlightenment* (OAE) was formed in 1986. It passes most of the Atherton *et al* tests. It acts as a source of work for its members and in this it could be compared to the actors’ and technicians’ agencies mentioned above. But it is not a registered co-operative. It is a company limited by guarantee, without share capital, governed by a board of its members. It is included in our study because of the importance given in its governance to the inclusion of player/members on the elected board. Because of the emphasis on player/members’ participation on the governing board, its emphasis on education (for young players and conductors within the orchestra and for schools and the public through an extensive education and outreach programme) and its partnership working, the OAE can be seen as sharing the co-operative ethos. It is a registered charity.

Like ITC, the OAE can be credited with changing the sector of the arts in which it operates in the UK, and doing so expressly. The OAE is an orchestra specialising in playing music on instruments of the period in which the



music was composed. It was formed originally as a band of musicians sharing a vision of how an orchestra could be organised as a group of players rather than as the followers of a particular conductor. So from the very beginning the ethos was democratic, independent in the sense of self-governing, self-financing (not publicly funded) and revolutionary. In its revolutionary intent the OAE could be likened to our French case studies but the revolution was more artistic than political. The aim was to provide a place where like-minded people could produce art of a very high quality in the way they wanted to, together. The ethos of mutual respect amongst the players and joy in the music is fundamental.

At the start there was a small group of musicians who collaborated to organise the first concerts but in doing so they signed up about one hundred interested parties -musicians and others - to be members of a loose association for the purpose of performing period music, particularly in the UK and with a variety of conductors. So the initial impetus for the OAE came from the players, and the initial concerns were to be able to play where and how they wanted to, with others who shared the same vision and also, importantly, to learn and develop together.

The OAE does not employ the musicians. They work freelance. This means that they do not have the same protection, employer's pension contributions etc. as they would have if they were employed. Some orchestras in the UK employ musicians; many do not. Many rely on freelance performers. The disadvantages for freelance musicians are that they do not have the security of an employed post but, on the other hand, they have the freedom to work with whoever they choose to. Initially the OAE only performed a few concerts a year and the musicians were more like a "bank" of people who could be called on if needed.

Gradually, the OAE became established, through the support of corporate sponsors and then, after some time, Arts Council funding. Key factors in the successful growth of the OAE have been the partnership arrangements they have managed to secure with the South Bank Centre in London and Glyndebourne Opera in Sussex which allows the orchestra to have a core programme that runs through most of the year. Many of the musicians now rely on the OAE for a significant part of their work each year.

The orchestra has funding, albeit reduced from previous levels, agreed with the Arts Council for three years from 2011 which allows a degree of security in forward planning. Most of the income, however, comes from charitable trading activities – sales of tickets for concerts, fees for concerts. The business model exemplified by the OAE is very different to those of the French companies studied in this research. Two thirds of the income comes from charitable trading activities. The other third is made up of public subsidy and grants and donations from trusts, foundations, corporations and wealthy individuals. Of the total income only approximately one tenth is direct public subsidy. The French and UK case studies here fall true to form – the UK looks to France for enlightened state support and France looks to the UK for models of commercial engagement.<sup>11</sup> There are tensions within both models.

The board of the OAE is aware of the danger for arts organisations dependent on fee income and sponsorship of "chasing the money". The board is partly made up of player/members and partly (the majority because of charity rules) of volunteers drawn from outside the orchestra (who then become non-player/members). The advantage of this arrangement is that people can be brought onto the board for their specialist expertise (finance, law etc.) or for their external networking connections.

There is an internal artistic direction committee (ADC) to balance the more business oriented approach of the board and there are several informal internal mechanisms for discussion of repertoire and artistic choices. The choice of programme can determine the cost and the likely income generation; it impacts on employment opportunities for musician members. It is an area for disagreement and tension within the organisation. OAE shares with the co-operative structure the disadvantages of democratic processes – they can be unwieldy, time consuming and may not make the "best" decisions in the end. Best commercially, artistically or from the individual members' point of view may not be the same. Red Ladder, the next case study, voted for a hierarchical structure for these reasons.

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<sup>11</sup> The Franco-British Council Report *Committing to Culture* highlights the differences in cultural funding in the two countries and examines what each can learn from the other.

The OAE has built up reserves over the past decade and now carries sufficient to satisfy the Charity Commission recommendations and to be able to weather a reduction in income (for a while) and to also be able to take artistic risks where these are justified for the development of the organisation. The point about artistic risk is explicitly made in the Trustees' report. Nonetheless, the OAE is facing the same trading climate as most arts organisations at the moment making some difficult decisions to contain costs and generate income.

Being a member of the ADC can be onerous because it is time consuming and can be difficult if decisions have to be made regarding repertoire and orchestra size which impact on the amount of members' work and consequently on their welfare. There are other duties which have to be undertaken for the smooth running of the organisation and there can be an element of "free-riding" where members do not take their share of the responsibility. Again, the OAE shares the disadvantages of the co-operative structure because of its democratic nature.

There is also a tension between the pursuit of artistic quality and the individual welfare of musician members. There can be a conflict of interests. An attempt was made to introduce a system of peer review of performance a few years ago which met with considerable resistance because of this tension. The welfare of the collective may not be the same as the long-term artistic development of the orchestra.

The OAE has instigated a 25 year review looking back over the first twenty five years and developing strategies for the future. This review is considering the structure of the orchestra and the transition arrangements for the older players (some of them founders) to gradually step down and hand over to a new generation. There is tension here too because the new generation will not necessarily share the older generations' vision and values. If they do, and if the orchestra can carry on with the same spirit it will be a validation of what the founders and long standing members have achieved. Perhaps, if the OAE could see itself as part of a larger movement (as ITC is considering) it would be easier to hand the values on. It was interesting that whilst the members interviewed recognised the importance of collective artistic intellectual endeavour and democratic accountability within the OAE they did not consider the orchestra to be a co-operative – though it definitely "isn't capitalist".

### **Red Ladder**

The third British case, *Red Ladder*, is a touring theatre company, formed in 1968, as part of the radical socialist agitprop movement, as a loose association and formally constituted as a company in 1974. So it has been in existence for more than 40 years. It was originally constituted as a co-operative but ceased to be one in the mid 1980's. It has considered, and rejected, becoming a co-operative again on several occasions since then. It therefore falls into the third category and provides insight into historical reasons for ceasing to be a co-operative and also into why companies are not becoming co-operatives in response to the current economic crisis. . It registered as a charity in 1994.

Red Ladder is based in Leeds. It is an important part of the cultural landscape in the North of England and an important part of the cultural infrastructure in Leeds, supporting the development of several younger companies and training individuals in theatre skills. The company recognises its obligation to help other arts organisations within the area. It fosters and develops partnerships with other organisations (writers, technicians, other theatre companies) to build the cultural fabric of the region. In this, Red Ladder is demonstrating "*parrainage*" (see French/Italian studies and ITC above), and it is expressly developing the sector within its own region.

Red Ladder is a company limited by guarantee with a volunteer board which exercises control and sets strategy but the day to day running and implementation of strategy is left to the artistic director and producer. The company recently decided, through a democratic process, involving the staff, board and major funder (Arts Council) to adopt a hierarchical structure which, it is felt, more accurately reflects the responsibilities within the organisation – which lives or dies by its artistic reputation.

Members of the board are drawn from the local community for their specialist knowledge and their connections. The long standing chairman is a local councillor, other board members are drawn from academic partners (local universities) and others bring specialist skills – PR and marketing for instance.

The company has faced several crises over its relatively long life. The current economic crisis and the cuts in public subsidy count amongst the most severe. Red Ladder has had its funding from the Arts Council, the major funder, cut by 42% (based on 2009). This has meant losing a member of staff (from 3 to 2) and re-organising the way in which some projects are delivered. Red Ladder, like the other two UK examples, has built up sufficient reserves (three months operations) to weather a temporary downturn in income. It has used some of its reserves to cover expenditure in the first year of grant funding cuts but has simultaneously focussed on increasing income and reputation through good PR for strong productions.

The company has changed over the years. It is currently more political in its activities than it has been for two decades. Part of its mission is to “awaken in modern society an emotional intelligence and literacy”, through partnership working with artists and organisations to create theatre and encourage debate in unusual places. The focus is on global justice and inspiring a younger generation. It is interesting that the company has decided not to become a co-operative again, despite the very collaborative nature of the way in which it works with partners and the way in which it creates and forms part of local and national artistic and activist networks. This is similar to the OAE (artistically if not politically) and in contrast with the French examples.

The reasons given for Red Ladder not wanting to become a co-operative again were the need to be able to take decisions rapidly and to be able to take artistic risks. It was felt that the co-operative structures would be an obstacle to this essential flexibility without bringing compensatory benefits. This echoes OAE problems which seem to be caused by having such democratic internal decision-making. Both organisations highlight the danger of losing artistic edge through making decisions by committee. This is noted in the literature on co-operatives as a potential hazard. It could be an area which merits further study from the co-operatives point of view as it may be an important obstacle to performing/producing arts organisations adopting a full blown co-operative structure.

### **3. What forms does co-operation take in the performing arts?**

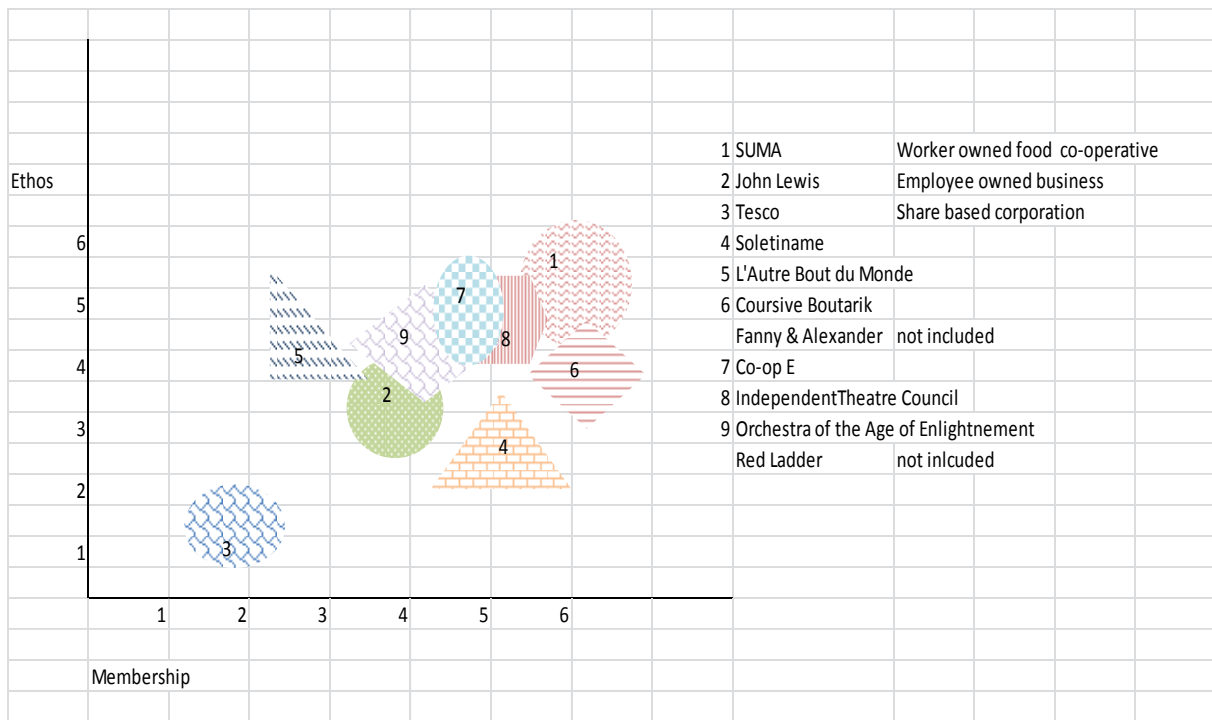
We can now address our first research question: What forms does co-operation take in PAOs? As explained above, our underlying hypothesis is that PAO's may be organised as co-operatives without claiming legal recognition or registration. We define cooperatives in reference to the way in which business is conducted rather than the legal constitution, referring to the “Practical Tools for Defining Co-operatives” developed by Atherton *et al* (2011). Our research questions were investigated through a series of interview questions. These questions were mapped against Atherton *et al*'s self-diagnosis tool kit in *Practical Tools for defining Co-operatives (2011)*. This mapping is set out in Appendix 1.

Atherton *et al*'s tool is anchored in the seven co-operative principles<sup>12</sup>; it focuses on member control (through ownership and/or participation) and co-operative ethos.

We summarize the answers against Atherton *et al*'s questions in Appendix 2. We scored these answers using Atherton *et al*'s self-diagnosis tool and Graph 1 presents the results. Because some of these organisations do not see themselves as part of the co-operative movement, although they do see themselves as part of a collaborative “sector” or way of working, the tool can only give us a rough picture, but it is indicative. 1,2, and 3, Tesco, John Lewis and Suma are from the graph in Atherton *et al*, p and act as benchmarks here.

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<sup>12</sup> ICA's seven well known cooperative principles are : 1. Voluntary and Open Membership; 2. Democratic Member Control; (esp. one member, one vote); 3. Member Economic Participation; 4. Autonomy and Independence; 5. Education, Training and Information; 6. Cooperation among Cooperatives; 7. Concern for Community.



The results of mapping our interviews against Atherton et al's tools and analysing the nature of the organisations (what is the primary purpose?), are summarised in table 2 below. Two cases do not qualify, even with allowances, as acting as co-operatives because they cannot respond positively to the membership control questions in the tool kit. More interestingly, we found that in three cases status as a co-operative, or not, did not correspond with the reality of the organisation's behaviour.

ITC and OAE (8 & 9 in the chart) in the UK qualify as co-ops while not being registered as co-ops, and not really considering themselves to be co-ops; L'Autre Bout du monde (5 above) on the contrary, is a registered co-op but does not qualify as acting as a co-op, according to Atherton et al guide.

Contrary to the other French cases, which fully match Atherton et al's criteria, L'Autre bout du monde fails to qualify as a co-op according to those criteria, although it is legally registered as co-operative form (SCIC). While it fully matches the co-operative ethos, the member ownership is to some extent questionable. The SCIC is member based; members decide upon profit allocation and have equal voting rights. Yet, when looking in details in the legal ownership and in the organization, it appears that the place itself (the boat), on which the SCIC is entirely dependent, belongs to the Director of the SCIC. The boat is an asset belonging to a traditional commercial society (a SARL), owned by the SCIC manager ; it is rented to the SCIC, with a contract that can be denounced by the SARL's owner. Yet, the self-existence of the SCIC and its activity rely on the use of the restaurant-boat which relies in the hands on the SARL's owner (and SCIC manager). It implies that if he decided to cancel the boat rental agreement, the SCIC would have to stop its activity. The members do not have, in this respect, control over their productive tools and assets. This situation also gives the manager power over the SCIC and its decisions, even in day to day decisions such as hiring or firing of people, independently to some extent of the member decisions. The principle of democracy is not really observable, although the governance complies with the principle one member – one vote. We may here consider that although the legal form is a co-operative, Atherton et al's criteria apply only partially.

Legal status is thus neither sufficient nor essential to guarantee the reality of co-operation in the cases. This observation calls some further understanding of the legal framework of co-operatives in the countries of our cases.

Table 2 : Co-operative forms & legal recognition - Main results from the cases

	<b>Coursiv e Boutari c</b>	<b>L'Autre Bout du Monde (SCIC)</b>	<b>Solentina me (SCOP)<sup>13</sup></b>	<b>4l12</b>	<b>Coop E-</b>	<b>ITC</b>	<b>OAE</b>	<b>Red Ladde r</b>
<i>Member ownership</i>	Y	Y	Y	Y	Y	No	No	No
<i>Substantial member control IMIV</i>	Yes	No	Yes	Yes	Yes	Yes	Yes	No
<i>Commercial purpose : distribution of profit</i>	No	Yes	No	No	Yes, but not primary	No	No	No
<i>Primary Purpose</i>	Arts & culture	Profit sharing	Arts & creation	Arts & creati on	Arts & creation	Arts securing & developin g	Arts & creatio n	Arts & creatio n
<i>Acting as a coop</i>	Yes	No	Yes	Yes	Yes	Yes	Yes	No
<i>Legal status / seeking co-op recognition</i>	Yes	Yes	Yes	Yes	Yes	No	No	No

#### 4. Comparison of the French, British & Italian legal framework regarding co-ops

This section examines the similarities and differences in the three countries' legislative and regulative regimes with regard to co-operatives and social benefit. This is a complicated area. The different legal forms in France and the UK are summarised in the table in Appendix 3.

While the legal system which regulates the cooperative regime in France, the UK and Italy refers to the definition given by the International Cooperative Alliance<sup>14</sup>, the legal framework applicable to cooperatives differs in some particulars within the three countries. In the UK, industrial and provident societies were regulated

<sup>13</sup> Since two legal forms for co-operative exist in France, we selected one of each: a SCOP and a SCIC. These legal parameters are further discussed in a later part of the chapter.

<sup>14</sup> "A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise".

under Industrial and Provident Societies law. This has now, after public consultation in 2007, been amalgamated into the Co-operative and Community Benefit Societies and Credit Unions Act 2010. The UK Act defines a co-operative as “a society for carrying on any industry, business or trade (Ch7, Art1. sec1) [... but not with ...] the object of making profits mainly for the payment of interest, dividends or bonuses on money invested or deposited with, or lent to, the society or any other person”(Ch7,Art1, sec2). A community benefit society is defined as one where “the business of the society is being, or is intended to be, conducted for the benefit of the community”(Ch7, Art1, sec3). In France the "Loi n°47-1775" regulates the co-operatives legal system. The purpose of the French co-operative act, is (art.1) to reduce the price of sale of some products or services, by the common effort of members and in their advantage; to Improve the quality of products; to contribute to the satisfaction of needs and to the promotion of the social and economic activities of their members as well as to their training. The differences in the definitions reflect the different sort of legal frameworks in the two countries (Common law and code law) and underline the need to look past the legal definition to the ethos of the co-operative.

A first hypothesis from the literature review was, following and extending Birchall & Simmons (2009), that there are synergies between co-operative forms and cultural activities, like openness, social responsibility and caring for others, which indicates that PAO's should opt for co-operative status. One of these synergies concerns social utility. This notion is closely linked with public interest, general interest and social interest concepts, but this concept actually lacks a unique definition. In France, any legal form of business could be recognised for their **public interest**. A significant portion of PAOs benefit from this legal recognition, called "*être reconnu d'Intérêt général*", and which confers both some fiscal advantages<sup>15</sup> and a perceived legitimacy in the sphere of action. To have public interest recognition some essential conditions must be met<sup>16</sup>. They relate to philanthropic, educational, scientific, social, humanitarian, sports and family character or can contribute to the development of artistic heritage, and the protection of the environment. To be able to deliver fiscal certificates to their members, the management of the institution has to be in a managing volunteer system. In addition it must not have a lucrative activity and must not benefit only a restricted circle of people. Within co-operatives, the relatively new status of "*Société Coopérative d'Intérêt Collectif*" (SCIC)<sup>17</sup> (co-operative with public interest) is of specific interest regarding these dispositions. To create a SCIC in PAO's activities requires demonstrating the "social utility" of these activities on private or public cultural sector<sup>18</sup>. In order to have this "*utilité sociale*" status, a legal framework exists whose main norms are stated in the "*décret n° 2002-240*", "*la loi n° 98-657*" and the "*code du travail, article L.322-4-18.*"<sup>19</sup>

A similar status exists in Italy. In the Italian legal system the expression "*Organizzazione non lucrativa di utilità sociale*" (known by the acronym ONLUS) indicates a category of institutions while chiefly pursuing some social or artistic aim (associations, co-ops, non-profit organisation, etc.) to which the law confers the ability to enjoy tax benefits<sup>20</sup>.

Rather like "*utilité publique*" in France, "public benefit" in the UK is not easy to define<sup>21</sup>. It is not sufficient to have charitable purposes<sup>22</sup>; the charity's activities must be for the benefit of the public. This means that all charities in the UK, no matter what their specific purpose is, operate with a wider social perspective.

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<sup>15</sup> The general French tax law says that donations made by private individuals for these institutions receive a tax benefit. The State pays half of the donation in the form of tax reduction. The donations and the contributions of members paid to the association are concerned by this provided that the member receives no counterparty (compensation) in his payment.

<sup>16</sup> The institution has to have more than 200 shareholders (partners, participants) and its budget should be over 45 000 euros. In addition, the organization must demonstrate more than three years of continuous activities for public or national causes.

<sup>17</sup> Created by the law of 17 July 2001

<sup>18</sup> It means the mobilization of the economic and social resources in the local plan and encourages the participation of all the local people in these activities and therefore resulting in better economic, social and territorial cohesion.

<sup>19</sup> In order to obtain the status of "*utilité sociale*" it is necessary for the cooperative to be recognized by the public authorities (*préfet*). A dossier with all the documents which show evidence of its activities, such as social and professional integration, must be submitted and approved. Art. 1-3 du Décret n° 2002-241 du 21 février 2002 relatif à la SCIC.

<sup>20</sup> Art. 10 del d.lgs. 4 dicembre 1997, n. 460, " Riordino della disciplina tributaria degli enti non commerciali e delle organizzazioni non lucrative di utilità sociale."

<sup>21</sup> "Public benefit" is not specifically defined in the Charities Act 2011.

<sup>22</sup> Historically, charitable purposes were defined as the relief of poverty, advancement of education or the advancement of religion and other purposes beneficial to the community. The 2006 Act retains the first three and expands the fourth to cover: the advancement of health or the saving of lives; the advancement of citizenship or community development; the advancement of the arts, culture, heritage or science; the advancement of human rights, conflict resolution or reconciliation or the promotion of religious or racial harmony or equality and diversity; (...)

They have to demonstrate this each year through a statement of public benefit. The Charity Commission is currently investigating established charities to ensure that they are complying with the public benefit requirement. Charities<sup>23</sup> in the UK are regulated by the Charities Act 2011. A charity is not a legal form or structure but a status. This means that different legal forms can be charities (see Table in Appendix 3) The most common is an association or a company limited by guarantee, but a co-operative set up for the community benefit can also have charitable status. There are two requirements for charitable status - firstly an organisation must be established for exclusively charitable purposes<sup>24</sup> and secondly the actions must be for the public benefit<sup>25</sup>. The Community Interest Company - created in the UK under the Companies Act 2004 - is similar to the French SCIC. A CIC is a type of limited company (as in France) “*designed specifically for those wishing to operate for the benefit of the community rather than for the benefit of the owners of the company*”<sup>26</sup>. A company limited by guarantee can also be a CIC. However a registered charity cannot be a CIC and many arts organisations in the UK are registered as charities. Historically, arts organizations in the UK have registered as charities for several reasons – tax concessions (on donations, on surpluses, on premises) and funders’ requirements (charities have an “asset lock” to safeguard resources) are probably the most important.

Although UK legislation allows for a CIC to be a co-operative, it does not need to be one. It cannot, however, be a registered charity, although it can be the subsidiary company of a registered charity. It is a relatively new legal form but growing in popularity, with 6,400 registered since 2004, 76% as companies limited by guarantee, and the numbers being registered increasing annually. A characteristic of the UK CIC, embodying the prioritizing of community benefit over that of the owners, is that it has an “asset lock” which means that it cannot distribute all its profits but must retain the larger proportion to further its social aims. A Community Interest Company in the UK must, as a SCIC must in France, demonstrate its social credentials. This is done through an annual statement of community benefit. CICs do not enjoy the same tax benefits as charities do, although they have a primarily community interest. Non-profit making associations’ (*à but non-lucratif*) regulated by the “*Loi 1901*”, particularly in the cultural sector, in France work within a holistic social perspective. UK arts charities can be compared to these non-profit associations.

In Italy, there is a long standing statutory legal and regulatory framework for co-operatives<sup>27</sup>, providing them with recognition and support. The basis of these legal provisions is the constitution's recognition that co-operatives fulfill a social function; the Italian Constitution itself explicitly recognizes the social function of co-operation and its contribution to the country. Article 45 of the Italian Constitution provides as follows: “*The Republic recognises the social function of co-operation for mutual benefit free of private speculation. The law shall assist and promote its development by the most suitable means and shall ensure, by means of appropriate controls, its nature and purposes.*”<sup>28</sup>

Co-operatives enjoy special rights under the Italian Constitution – e.g. special tax advantages and no formal requirements for the creation or running of the business, etc. In 1991, Law 381/91, which recognised and supported the role of social co-operatives in providing services for the wider public or collective good<sup>29</sup>, radically extended the scope of co-operatives.

This legal perspective leads us to consider that although some differences exist between the French, British and Italian legal frameworks regarding PAO's, co-operatives and social / public interest concepts (and

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<sup>23</sup> The Charities Act 2011 (which received Royal Assent on 14 December 2011 and come into force on 14 March 2012) combines the Recreational Charities Act 1958, the Charities Act 1993 and many of the provisions of the Charities Act 2006.

<sup>24</sup> Chapter 1, section 1 (1,a) of The Charities Act 2011

<sup>25</sup> Chapter 1, section 2 (1,b) of The Charities Act 2011

<sup>26</sup> Office of the Community Interest Company regulator, Department of Business, Innovation & Skills,

<sup>27</sup> Codice civile. TITOLO VI. Delle società cooperative e delle mutue assicuratrici (Art. 2511- Art. 2548); Legislative Decree No 1577 of the Provisional Head of State of 14 December 1947; Articles 10,11,12,13 and 14 of Presidential Decree N° 601 of 1973; LEGGE N° 38, Disciplina delle cooperative sociali, 18 novembre 1991; LEGGE N° 59, Nuove norme in materia di società cooperative, 31 gennaio 1992; DECRETO LEGISLATIVO N° 6, 17 gennaio 2003, Riforma organica della disciplina delle società di capitali e società cooperative, in attuazione della legge N° 366, 3 ottobre 2001.

<sup>28</sup> Costituzione della repubblica italiana

Art. 45 : La Repubblica riconosce la funzione sociale della cooperazione a carattere di mutualità e senza fini di speculazione privata. La legge ne promuove e favorisce l'incremento con i mezzi più idonei e ne assicura, con gli opportuni controlli, il carattere e le finalità.

<sup>29</sup> LEGGE 8 novembre 1991. Art. 1. Definizione : 1. Le cooperative sociali hanno lo scopo di perseguire l'interesse generale della comunità alla promozione umana e all'integrazione sociale dei cittadini attraverso:

a) la gestione di servizi socio-sanitari ed educativi; b) lo svolgimento di attività diverse - agricole, industriali, commerciali o di servizi - finalizzate all'inserimento lavorativo di persone svantaggiate. 2. Si applicano alle cooperative sociali, in quanto compatibili con la presente legge, le norme relative al settore in cui le cooperative stesse operano. 3. La denominazione sociale, comunque formata, deve contenere l'indicazione di "cooperativa sociale".

taxation principles and incentives), they are largely comparable. While in the UK almost any legal form can register as a co-operative, in France and Italy co-operative recognition corresponds to a legal status. In all cases however, public / collective interest is based on registration and submitted to an official recognition process, which provides some advantages. In France and Italy the co-operative form is compatible with public interest recognition; in the UK it is compatible but not the first choice for performing arts organisations. They are predominantly registered charities and would not seem to need co-operative registration for their social benefit objectives to be officially recognised and rewarded (through tax reliefs). When focusing on PAO's endorsing the co-operative ethos, which is the case of the organisations we observe, we note that, while in the UK they remain charities, in France and Italy they choose a co-operative legal form (SCOP or SCIC). This phenomenon remains marginal at a quantitative level in France. This calls several observations:

- The synergy we expected between social purposes, philosophy in the arts and co-operative values seems meaningful ;
- The PAO's we have studied are following the co-operative taxonomy we have used (Practical tool) ;
- Yet, this does not lead those companies to register as a co-op in the UK while they adopt co-operative status in France. This suggests that the British co-operative framework may not be adapted for performing arts, although the co-operative ethos is.
- Finally, co-operative status for PAO's in France remain marginal; this suggests that the co-operative status in French may be insufficiently adapted to PAO's.

We further discuss this in the following part, by exploring the comparison of perceived obstacles and advantages of cooperation in each country cases.

## 6. Hypothesis from the literature : pro's & con's

Urrutiaguer and Henry (2011) observe that theatre companies who adopt co-operative principles (such as mutualisation or collective managerial boards) are primarily motivated by their democratic purpose: they want to have a shared decision process regarding artistic orientation and budget constraints. They also observe that such companies tend to have a broader distribution area (inter-regions or international).

Co-operation also is also expected to assist PAO's reduce their fixed costs (administration & distribution) by accessing more specialised skills and sharing resources among several companies (Sinapi & Juno-Delgado, 2011, Vigne et Fouche, 2005). While a single company is too small to hire an accountant, a lawyer, a communication manager etc., shared resource centres may afford it. Observations show that such practice exists within artistic networks (Urrutiaguer & Henry, 2011): they take the form of non-monetary exchanges of resources based on reciprocity principles, of shared offices, equipment, spaces and expertise. Besides, 3% of the observed companies use shared employment centres ("*groupements d'employeurs*") for administrative work. In addition, co-operative forms, because they include obligations to build reserves and retain part of the profit, may help PAO's to have higher level of equities and thus promote their financial sustainability. Contrary to traditional companies which can distribute their profits in the proportions they decide, French co-operatives are subjected to a specific regime. In the case of Scop, at least 16 % of profits (in practice 45 %) are taken into "not share reserves", which are property of the company and not of the partners. These reserves are allocated to investments and development, but they are useful during difficult periods. 33% of profits maximum (and in practice 10 %) are paid in the form of dividends to the partners. The rest, at least 25 % (and in practice 45 %), is transformed "part work" or into participation paid to all the employees (associated or not). In the case of SCIC cooperatives, 15% of benefits called "excédents nets de gestion (ENG)", is allowed to be kept in the "legal reserve" and 50% of the rest is allowed in form of "not share reserve" to the "Fond de développement". So, at the end, 57, 5% of benefits is in reserve (15 % ENG + 50 % (ENG - 15%) = 57, 5 % ENG). In this French co-operatives are similar to UK charities. The guidance is that charities should build up reserves to cover between three and six months running/operating costs. Charities cannot distribute surpluses to members.

An "advocate" of co-operative forms for PAO's in France is G. Buisson (2009). He suggests a specific scheme, in the form of an artists' cooperative, financially managed by public authorities. It may be discussed whether this proposal really complies with Atherton et al's criteria (regarding autonomy esp.). It has so far not been implemented.



Another defence for PAO's co-operative is that of Urrutiaguer & Henry (2011). They view performing arts as a hybrid between market and public service logics. A third logic needs to prevail, based on reciprocal and wider network exchanges. The current dominant legal form within the sector is not coherent with such a perspective. Co-operation may thus be of particular interest in the need for new governance models. Such co-op's would group together companies who would share expertise and funds, in order to mutualize on the one hand artistic and commercial risk, on the other hand profits from successful productions. Systems of "*parrainages*"<sup>30</sup> (as discussed in the case studies summary above and as exist among marionettes companies), between established companies and emerging ones, would come under such a project.

Beyond those sector specific factors for co-operative forms, some more general pro's and con's from the co-op' literature may be transposed to the performing arts sector. According to Shah (1996), the main purpose for a co-op is to create value for members. Five types of benefits from membership were identified in agricultural co-op's by Krivokapic-Skoko (2002), including market access, enhanced pricing, improved productivity from pooling resources, access to information, knowledge and technology and community building opportunities. The first can be transposed to the performing arts if we consider how arts organisations work to develop their "market" – both ITC and the OAE (UK studies) can be seen as having contributed to the development of their sub-sectors of the larger arts sector throughout their life -times, increasing opportunities for performance and more stable funding and trading opportunities for their members and the wider sub-sector. Pooling of (administrative esp.) resources to decrease fixed costs and access to (legal, managerial and administrative) information and skills correspond to ideas set out above. Regarding community building opportunities, we expect that co-operation may either help develop artistic collaboration opportunities within the co-op and/or within the co-op movement. Besides, co-op's are showed to provide a better control on input / output and /or on prices (Tennbakk, 2004) or to ensure fair conditions on the market by 'keeping it honest' (Drake & Llewellyn, 2001). Co-operation may in this sense increase PAO's and artists' bargaining power and thus assist in achieving better prices by theatres. On the other hand, the fierce and exacerbated artistic competition among companies (Urrutiaguer and Henry, 2011) may prevent companies recognising the advantage of such collaboration and prevent it taking place, as would the well -known results of the "prisoner dilemma" in game theory

The co-operative literature also identifies generic drawbacks which may apply to PAO's co-op. In the medium or long term, the co-operative spirit among members may decrease while restrictive behaviours and selfish workers' attitudes develop, within members and hired workers ; the efficiency of the co-op would decrease and this would endanger its survival in the medium term, because of the absence of efficient monitoring managerial policies (Ben-Ner, 2012). The long term sustainability of co-ops may thus be reduced compared to traditional business, because of a diminishing in the loyalty to the co-operative or to its identity.

Finally, a starting point to discuss arts and co-operatives lies in an expected common interest or philosophy. Arts and culture have long been recognised as public goods; arts organisations are in the majority of cases not-for profit and recognised as being of public interest. The parallel with co-operative values is at least intuitive. Yet, as stated by Birchall & Simmons (2009), although an overlap between member value (within co-ops) and wider social interest may be expected, it is not necessary. There might be a difference between "the primary aims of the co-operative, which are to meet the members' economic needs [...] and aggregate effects in the wider society". According to Levi & Davis (2008), co-operatives are too economically focused for the non-profit sector. We should examine if they are –or not- too economically focused for performing arts organisations.

## **7. Improved resilience? The effect of the crisis on PAO's and expected advantages of co-operative forms**

On top of the above general advantages or obstacles of co-operatives for PAO's, an implicit and major advantage lies in the expected improved resilience of co-operatives in the current economic context . Co-operatives have proved to be more resilient compared to other types of business vis-à vis the crisis ((Brassard & Molina, 2012). Does this propriety apply to PAO? At least two factors would defend this hypothesis ; within France, performing arts co-operatives are expected to have more a business like orientation (Urrutiaguer &

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<sup>30</sup> This idea of parrainage co-operatives may also be recognised in G. Buisson's proposal to create publicly funded artistic co-operatives around an artistic personality, hiring as permanent young artists for a while and thus ensuring financial and job security to those artists. This idea was not implemented but highlights the expected link between co-operative and resilience or sustainability of arts.

Henry, 2011) ; they are expected to be less financially fragile thanks to higher equity levels – compared to associations – and better fixed cost coverage thanks to mutualisation of administrative costs (Sinapi & Juno Delgado, 2011). Co-operation may thus be a way to reduce the inherent fragility of PAOs and the effects of the crisis on the sector. While PAO's revenues have reduced significantly in the context of the economic crisis in the UK and Italy, the French situation is more subtle. At first glance, French companies' resources have been stable and even increasing in the last years. This hides however several realities showing a less advantageous situation. The first fragility factor of theatre companies lies in their insufficient equity level (Grefte and Simonnet, 2010). This is related to at least three factors : associations, the main legal forms within PAO's, have no paid in capital ; reserves can thus only be created from retained earnings. This requires a surplus being generated, which is quite unlikely. First for lack of managerial skills regarding estimation of working capital and reserves levels ; second in some cases for a misinterpretation of the non-lucrative criteria (confusion between non-lucrative and no profit understood as no surplus) (Sinapi & Juno-Delgado, 2011); third, because the economic and sector specific context makes the generation of surplus very difficult.

Indeed, although seemingly level, funding to theatres has reduced. French PAO's are heavily dependent upon direct public funding (39% on average of company's budgets). While direct public funds to theatre have been stable overall, if expressed in real terms, part of them has actually been decreasing since 2007<sup>31</sup>. The main sources of revenues are sales of productions, which consists, in a large part, in indirect public funding since those sales are to public theatres. Those sales have been reducing in the last decade to dangerous levels : unit selling price per show has reduced and is often at marginal price ("coût plateau"), while the number of representations per production is dropping. This is the result of the fierce competition among companies towards theatres<sup>32</sup>; PAO's also rely heavily on non-monetary resources, in the form of (unpaid and undeclared) work, under the specific French scheme of "régime d'intermittence"<sup>33</sup>, often done at the limits of legal rules. The conditions of this scheme have strengthened in the last five years and the apparent complaisance of regulators regarding its excessive use in the past is over. Besides the reduction in effective resources, we may add that administrative costs remain heavy for small organisations (second budget line and cost allocation source). This all the more crucial as public funding generally will not cover administrative costs<sup>34</sup> (Urrutiaguer & Henry, 2011). There is even an incentive to show losses, according to the cases answers : subsidies are not provided if a budget shows a surplus. To this financial risk should be added an artistic risk : surpluses are required to fund artistic research and creation, which is in the current context thus at risk.

The picture within the UK is rather different. There is a problem with the under-capitalisation of the arts in general and this has been under discussion for some time. There have been a number of responses. The Charity Commission, which regulates UK registered charities, has recommended for a number of years, that all charities (whether in the arts or not) should amass free unrestricted reserves (i.e. not tied up in fixed assets and not dedicated to particular projects) of between three and six months' running costs. Charities have realised the importance of building up reserves. This does not mean that it is easy for an arts organisation to build up this level of reserves but it is, at least, recognised as important that they do. The development of Community Interest

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<sup>31</sup> In particular DRAC's subsidies to theatre and dance, after inflation deduction; Sources : Chantal Lacroix (2010 et 2009), *Chiffres clés 2010*, Paris, MCC, pp66-87 & *Chiffres clés 2009* (p129), Urrutiaguer & Henry (2011) ; according to the ANRAT (Association Nationale de Recherche d'Action Théâtrale), the fees paid by the DRAC for artistic workshops in schools have not increased since the 1980's.

<sup>32</sup> The number of companies have significantly increased in the last decades, without the audience – nor the public theatre funds – to expand. As a result, shows' sales unit price are decreasing while the number of representation per show is dangerously decreasing.

<sup>33</sup> This regime corresponds to the specific French scheme of unemployment benefit for artists and technicians in the arts. It may represent 19% to 26% of performing arts companies' budgets and 75% of work contracts (Observatoire Prospectif des Métiers et des qualifications di spectacle vivant, *Tableau de bord de l'emploi et de la formation professionnelle dans le spectacle vivant*. Première édition, mai 2011.) The system may be viewed as a disguised public subsidy to artistic work, which is being reduced significantly in these crisis years in France.

<sup>34</sup> Public subsidies are mostly dedicated to funding artistic production costs (not fixed costs nor in many cases artistic research can be funded); cultural activity fees often even forbid any fixed cost coverage

Companies (CICs) in the UK was partly in response to the difficulties not-for-profit organisations face in attracting investment. CICs are allowed to pay dividends on some external investment although they still have an “asset lock” and a primarily community purpose. A CIC is a different path for an organisation than charitable registration, although a charity can have a CIC as a subsidiary. It is a fairly new legal form but is growing in popularity.

Charities in the UK do not pay tax on surpluses generated through charitable activities, nor on profits made by trading which are gifted to the charity (by a subsidiary company for instance). CICs do not enjoy any tax breaks.

Unpaid time is a factor within the arts sector in the UK as well as in France but for different reasons. Charity legislation does not allow board members, who are responsible, legally and financially, for the organisation to be paid. This means that the performing arts organisations which are registered charities have unpaid boards. This can lead to problems in that board members do not necessarily have enough time to give to the organisation; it can decrease diversity as only those with leisure time can afford to take on the responsibility. And it is an aspect of charity work that is being badly affected by the current economic crisis. This requirement is under review and may be dropped in the future. It is thought to be one of the reasons why charities find it difficult to attract board members with financial and legal skills. Many arts organisations rely heavily upon volunteer time – as board members and as company members.

As regards the fragility brought about by the lack of management skills, recognising the need in the sector, the Independent Theatre Council (one of the case study organisations) was set up, more than twenty years ago, to provide shared legal and contractual advice and management training for the small independent theatre company sector. The Arts Council has for many years subsidised training for arts administrators and capacity building for arts organisations.

The economic crisis in France has not meant a reduction in direct funding to PAO's, mainly because of the states' contra-cyclical action. Yet, those funds have risen less quickly than fixed costs and inflation. Invisible (non-monetary) resources are decreasing and at risk (intermittence esp.). Finally, in the context of state and regions' budget constraints, it is reasonable to expect further reductions in public subsidies for culture, regional funds and short term financing. In the UK, cuts have already been made in the budget for culture (discussed further through the case studies) and, similarly as in France, there is increasing pressure on the non-monetary resources upon which the sector depends.

## **8. Perceived advantages & obstacles of co-operative PAO's: comparative results from the cases**

In this part, we compare the answers and observations of our selected cases regarding co-operatives perceived pro's and con's and seek both converging and contrasting evidence. We structure the comparison on the stage of development and the country criteria, which we compare to the literature hypotheses..

### **Ex-post cases**

"Ex post" cases (co-ops which have ceased to be co-operative) highlight crucial obstacles for co-ops in PAO. The French company 4112 is ceasing to be a co-op because its activity was no longer (financially) sustainable. This unsustainability is thus independent from the co-operative form: the cuts in public funding as well as weakened loyalty of their historic partners to their artistic projects are the reasons. On the other hand, Red Ladder ceased to be a co-op (in the mid 80s) while continuing its activities. Here, the co-op form in itself is in question. The political climate in the UK under the Thatcher government in the mid 80s was hostile to co-operatives in the arts. Several arts co-operatives either ceased to be co-ops or ceased activities in the mid- 80s. Mostly, they have not reformed as co-operatives. Red Ladder has not become a co-operative again, despite discussing the option regularly, because of the stifling of artistic risk-taking in the co-operative model and the inflexibility and length of the decision making process. Nonetheless it remains loyal to the fundamental principle

of working in collaboration and it operates a system of “parrainage” for emerging artists and companies in the region.

4112 case, whilst not specifically rejecting the co-operative form for PAO's, is nonetheless very negative about it, Viewing it as too bureaucratic (some specific obligations towards the co-operative federations not existing in an association). Being a co-operative entails exclusion from some of the public subsidies. Finally, the rule regarding retained earnings is perceived as incompatible with the concept of unrestricted reserves, required to finance artistic research and creation. The co-operative form did not increase resilience, since it did not help 4/12 weather the public cuts<sup>35</sup>. They also feel that the commercial purpose of a co-operative is not compatible with their artistic organisation and their non-lucrative spirit. They are however still loyal to part of the co-operative ethos : democracy and member (artists) control over artistic choices and their job.

These ex-post cases were expected to provide critical drawbacks of co-operative forms for PAO's. After more than 20 years of existence as a co-op in both cases, we observe that the initial loyalty to co-operative principles (democracy and member control) is still valid for 4/12, though not as important for Red Ladder, where looser collaborative arrangements are more important. Time proved that bureaucracy and the lengthy decision making process in co-ops is an obstacle to co-ops for PAO's, as expected in the literature. To this is added sector specific findings : the consensus based decision process is an obstacle to artistic risk taking. We also identify some country specific obstacles : the political image of co-ops in the UK, the benefits of charitable status and the public interest recognition that confers in the UK, the exclusion from some cultural public funding schemes in France. Finally, two hypotheses from the literature are not confirmed: developing free riding or restrictive behaviours over time is not mentioned by either of our long term cases. Nor is improved resilience with co-op form convincing from the 4112 and Red Ladder cases. Further research would obviously be required on this last finding.

## 9. "Ex ante" & "in" cases

In contrast to the above "*ex-post*" cases, the *ex ante* cases (organisations considering becoming co-operatives or having just registered) are expected to provide a positive picture regarding co-op for PAO's and to highlight its main perceived advantages.

We observe that ITC, although only considering becoming a registered co-op, may be viewed as having acted in accordance with co-operative principles since it was initially set up. The main advantage expected from registering as a co-operative relates to the image of co-operation, which would better express the reality of the way in which they operate. It might also be expected to reinforce members' loyalty to ITC values. Finally, the co-operative movement and image may help ITC, which already is a representative voice for the sector, to network with organisations beyond the sector which share its collaborative ethos. We also find similar expected pro's in the Coop-e Italian case: they aim to be a representative voice, more powerful thanks to a broader representation linked to the co-operation among several organisations. This first result seems particularly interesting: contrary to the expectations that the strength of co-operation towards the market (as a larger representation) may not apply to PAO, we view that it may be the one of the more important advantages of co-operation, even though taking a form specific to the sector. What is at stake is the representation and lobbying towards public authority and, maybe, the appropriation of cultural public policy (in terms of fund allocation and artistic project selection) by artists themselves. The question of their legitimacy to achieve such a function may be questioned. The legitimacy and democracy attached to the co-operative form may be an answer to this objection.

We also find a wide variety of pro's and con's, which are for some of them largely convergent, independently from the ex ante / in criteria nor from the country criteria.

We find that the more largely shared incentive for co-operation is member control and democracy : members (artists) want to have control over their artistic choices and, to some extent, upon their employment (or

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<sup>35</sup> This may be nuanced, since 4112's retained earnings enabled the company to survive during 2 years after the start of financial cuts. Although insufficient vis à vis the economic crisis impact, this may be perceived as a factor of (limited) resilience.

work), through co-operation (OAE, 4112, Red Ladder, Coop E, Solentiname). This is not related to the registration or legal recognition but to conformity to co-operative principles.

The choice for a co-operative form appears as a militant act in a converging way. Co-op E, Solentiname, L'autre bout du Monde find in this one of their primary motivations to be a co-op ; also Red Ladder and 4112 refer to such militancy, even though the context (period of the eighties) was different. The object of this militancy has to do with the philosophical and sometimes political values and image attached to the co-operative movement. We observe also in three cases that the claim does not only relate to the political image: it is also a way to claim to be a cultural enterprise, ie : to be recognised (and to function) as entrepreneurs. This claim is observed among "younger" generation within our cases (COOP E, Solentiname, Peniche Cancale). This suggests that a new generation of PAO's aims at developing the professionalization of their activity (as opposed to the "common" image that artists are not managers), and the seriousness in management and organisation, which is claimed through co-operative registration.

In a less converging way, we find in some cases results confirming the effectiveness of a majority of the hypotheses from the literature.

Solentiname, ITC, Co-op E, Coursive Boutaric view overall financial advantages to co-op as attached to mutualisation (mutualisation of fixed costs and managerial skills) and /or to improved retained earnings ; this last objective attached to co-operatives is expected to increase resilience and facilitate the financing of artistic research and creation. While this of significant importance for Solentiname and ITC, it is rather a secondary factor for the other cases. Finally, in some of the French cases, the co-operative form provides access to specific public funding (Peniche Cancale, Coursive Boutaric) : this is limited to the SCIC legal form and has to do with the common interest recognition rather than the fact that it is co-operative (there are specific public schemes and networks among SCIC which are viewed as providing significant help). In Italy, the co-operative federation is also seen as very helpful (help to create / manage). This is not mentioned in the British nor French cases, and even seen as inefficient or contra-productive (because not adapted to PAO) in one French case (4112). In the UK charitable, rather than co-operative, status confers funding and tax benefits. The expected advantages of co-operative recognition resulting from the belonging to a large and organised network is thus not confirmed in a converging way ; we observe significant country differences, suggesting that the Italian case may be an example to expand to France and maybe to the UK. Besides, in two French cases (Solentiname, 4112), being a registered co-operative has been incompatible with some specific public funds (specific aid on cost of employees "CAE", local public funds to culture in some regions : "*subventions départementales*"). This last observation looks illogical within French cultural policy and would be an obvious candidate for change.

We also observe cases where the co-operative includes the action of parrainage among members (ITC, Red Ladder, Coop E). In the case of Coop E it is a primary reason for becoming a co-op. This confirms the literature's hypothesis.

Cases also confirm some expected obstacles of co-ops in PAO : we find converging perceptions that the complexity of democratic processes makes them cumbersome that (Orchestra of the Age of Enlightenment especially makes this point) ; one case also mentions the danger of "free riding" (Coursive Boutaric).

Last, a key literature hypothesis is invalidated by the cases : competition among artists is expected to prevent artists from real cooperation. Our results show the opposite. Collaboration and the "love" for other artists work is a strong motive for co-operation, Coop E 's conclusion to our case is, in our view, the better conclusion to our results : "*In 1998, we met Ostermeier (Director of 'La baraque', nominated around the Schaubühne, he was then very young). We discussed with him about our relationships with other Italian artists and they told us : 'Competition ? In their view others are competitors. But not for us'. We have built a co-operative after years of collaboration. We are happy to see young companies engaged in the same process as ours. There is something in the air, in culture, in the city, where collaboration is more important than competition. Theatre is a very small art form, very fragile, compared to TV, radio etc. and so the audience is always incomplete ; it is a very small market, which can always be developed. Therefore, competition is a false problem in theatre. Collaboration will enlarge theatre, will develop the audience and will enable the market to expand*". (verbatim)

#### 4. Conclusion : perspectives & recommendations

Co-operative status may thus be considered a better adapted legal status (than associations) in the French case, because it is more clearly compatible with sufficient equity levels and incentives to create and retain earnings, which are required to finance on the one hand artistic research and creation and on the other hand short term financial needs (working capital & treasury requirements). Such an improved financial structure (equity levels coherent with productivity and growth prospects) could also give (better) access to bank financing, at least for short term needs. Yet it might be recalled that the financial constraint (access to bank financing) is more related to activity sector than to the legal form, co-operative in particular does not imply a lower financial constraint (Lerman & Parliament, 1990, 1991). Regarding profit and reserves levels, while profit level usually is independent from the legal form (co-op or not esp), the retention rate is often superior for co-operatives, which tends to confirm our conclusion. Our view is thus that if co-op may help, the real solution lies not in a legal form change, but in better skilled performing arts administrators and in the professionalization of the sector. In this prospect, a co-operative movement, well aware of the arts sector characteristics, may be part of the solution.

In the UK, the company limited by guarantee with charitable status (with the reserve retention recommendations and the tax reliefs available), seems to provide a more flexible form for performing arts organisations than a co-operative does. The need for bank or investor financing can be met through a community interest company – which can even be a subsidiary of the charity. It is possible to adopt a co-operative ethos within this form and give priority to collaboration and democratic processes but organisations which do this are not considered part of the co-operative movement unless they specifically register as a co-op. It seems to us that this is a missed opportunity on both sides and that further work on the potential synergies between performing arts (particularly co-creation through collaboration and participation) and co-operatives would be worthwhile.

Co-operatives historically hold capital assets, the tools of production, in common. In agricultural processing, particularly, control of capital assets is fundamental. For cultural organisations, and particularly performing organisations, the control of capital assets has less meaning. The fundamental concerns for these organisations are human - the control of the artistic production and security of work for members, the quality of the work, artistic freedom and choice (of how to work and who to work with), within a collaborative context, and often, the wider social benefit, the creation of a better world through wider participation in artistic creation. This leads us to conjecture that cultural co-operatives need a form which reflects this reality – where collaboration is more important than capital. Robin Murray in *Co-operation in the Age of Google* (2010), echoing Restakis's title *Co-operation in the Age of Capital*, argues that we are currently witnessing, in the networking activities on the internet, a revolution which is redrawing the economic landscape shifting the emphasis from capital to collaboration. We would argue that cultural organisations, exemplified by our performing arts case studies, demonstrate this economic shift and have already developed, and are continuing to develop, collaborative forms for this new landscape but official co-operative recognition lags behind them..

We suggest that the form best suited to performing arts organisations would be a hybrid between charities/associations a but non-lucrative and co-operatives, where the emphasis is on membership control and collaboration rather than control of capital. Atherton et al's toolkit is already moving in this direction but we would take it further.

The essential characteristics of these arts co-operatives would be:

- Member democratic control rather than ownership. It is important to leave open the possibility of an organisation not having any owners (charities and associations) or having an asset lock to keep significant assets in the organisation;

- Recognition of the primacy of artistic purpose, before profit and as a social benefit in itself rather than an instrument to bring about social benefit. The organisations we have studied have artistic creation as their primary purpose and we believe that it is important to distinguish this artistic creation from wider social benefit. The benefit to society is through the artistic creation not just through the relation building and networking etc. that the creating entails.
- Networking – with other co-operatives and other arts organisations;
- Benefits for members are, to some extent, specific to the sector. The main value for members is that of the artistic stimulation from collaboration and debate with other artists within the co-operative. Other benefits include some degree of security of employment/work, shared support through mutualisation, a voice for the sector and increased political force.

These arts co-operatives – with cultural objectives – would fulfil the public benefit requirements necessary for charitable status in the UK, and we recommend that they enjoy the benefits of such status – tax relief on surpluses generated and donations, and business rates relief. They should be able to accept sponsorship, generate surpluses and also follow the guidance that reserves should be built up in order to improve resilience. Assets should be locked into the organisation for long-term development (through R&D) of the artistic work.

We would argue that it is important to recognise these organisations as primarily cultural – with primacy of artistic purpose (before profit and sometimes in opposition to it) and primacy of collaboration over capital. The recognition of this form as part of the co-operative movement would increase the strength of the arguments within the cultural sector concerning the importance of collaborative activity, networking and sharing in the cultural economy, and the relative unimportance of profit. It would allow the recognition of cultural organisations as genuine, if different, economic agents and would strengthen the co-operative movement by recognising increased diversity in co-operative forms and making possible recognition of the synergy between co-operative and creative activity.

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Appendix 1 –Research questions - Interview questions & documents analysis

Research questions (RQ)	Interview questions (IQ) <sup>36</sup>	Atherton et al – tool kit self-diagnosis questions	Documents
<p>RQ1 – What form does co-operation take in performing arts organisations?</p>	<p>IQ3 Would you please describe the purpose of your organization (including main activity and key characteristics)?</p> <p>IQ4 Would you please specify what is the legal structure of your company?</p> <p>IQ5 Would you please explain how your revenues and costs are structured (what is the profit structure and what are the key figures); would it be possible to get a copy of your financial statements for further document's analysis?</p> <p>IQ6 Would you please explain in which way the members effectively control the business activity (esp: control of managers / directors; control of strategic decisions, control of day-to-day work or product / services offered)?</p>	<p>Q9. <b>Collaboration</b> Does your organisation collaborate or trade with other co-operatives?</p> <p>Q11. <b>Community</b> Does your organisation benefit society – for example by providing a community-centred service or using a proportion of its profits to support communities?</p> <p>Q1. <b>Membership</b> Do you have members?</p> <p>Q2. <b>Membership</b> Is membership of your organization open to anyone who is eligible, able and willing?</p> <p>Q3. <b>Membership control</b> Do your members own the organisation or have, in formal terms, ultimate control over what it does?</p> <p>Q4. <b>Membership control</b> Do all members have an equal say in the major decisions of the organisation? For example, if you are electing a Board, is it one member, one vote rather than the number of votes being down to how much money you have put in?</p> <p>Q5. <b>Control and Benefit</b> Do your members directly engage in or benefit from the activity of the organisation?</p>	<p>Legal constitution</p>

<sup>36</sup> The interview starts with a general introduction, presenting the research purpose, the interview protocol, and asking the interviewee to introduce her/himself & its organization (IQ1 : Would you please precise your name, position and company?).

		<p><b>Q6. Control and Benefit</b> Do your members decide what to do with the profits of your organisation?</p>	
<p>RQ2 - What are the <i>ex-post, in</i> and <i>ex ante</i> perceived advantages and obstacles to being a coop in this sector?</p>	<p>IQ7 – Depending on the "stage" of the considered company:</p> <ul style="list-style-type: none"> <li>- Why haven't you so far considered becoming a coop? Why have you now considered becoming a coop?</li> <li>- Why had you chosen to be a cooperative?</li> <li>- Why are you considering ceasing / have you ceased your cooperative activity?</li> </ul> <p>IQ9 - What advantages do/did you see in becoming a co-op (legal, funding, sales, shared competencies, value &amp; identity)?</p> <p>IQ10 - What obstacles would you see / have you experienced with this legal structure?</p>	<p><b>Q7. Learning</b> Does your organisation set aside time and money to allow its members and/ or employees to develop their skills through training and education, so they can effectively contribute towards the running of the co-operative?</p> <p><b>Q8. Learning</b> Do you contribute to wider public education or awareness around the benefits of co-operation?</p>	
<p>RQ3 - In particular, does being a cooperative help vis-à-vis the economic crisis effects (budget cuts esp.)?</p>	<p>IQ2. Would you please describe the history of your business, including critical events or periods?</p>	<p><b>Q10 Collaboration</b> Are you a member of a wider co-operative network that is recognised or affiliated to Co-operatives UK or the International Co-operative Alliance?</p> <p><b>Q12 Community</b> Does your business consider and try to improve its impact in terms of sustainable development?</p>	<p>Financial Statement liquidity ratio, so revenue develop</p>

*Appendix 2 - Practical Tools Questions applied to case studies*

PT Question	Indep endent Theatre Council	Orchestr a of the Age of Enlightenment	Red Ladder	So lentine name	L'Autre Bout du Monde which became Peniche Cancalle	Coursive Boutaric	Co mpanie 4/12	Coop-e
Q1. <b>Membership</b> Do you have members?	Yes	Yes	No	Ye s	Yes	No – but aiming to in the future	Yes	Yes
Q2. <b>Membership</b> Is membership of your organization open to anyone who is eligible, able and willing?	Yes	Yes – musical ability or other skills to be eligible	No	Ye s	Yes	No – but aiming to in the future	Yes	Yes
Q3. <b>Membership control</b> Do your members own the organisation or have, in formal terms, ultimate control over what it does?	Yes	Yes – but external board members as well as players (charitable status/ functional tensions)	No – only the board	Ye s	No – only the board	No – but aiming to in the future	Yes	Yes
Q4. <b>Membership control</b> Do all members have an equal say in the major decisions of the organisation? For example, if you are electing a Board, is it one member, one vote rather than the number of votes being down to how much money you have put in?	Yes	Yes – subject to the above.	No	Ye s	No	No – but aiming to in the future	Yes	Yes

<p><b>Q5. Control and Benefit</b></p> <p>Do your members directly engage in or benefit from the activity of the organisation?</p>	Yes	Yes	No	Yes	Yes	No – but aiming to in the future	Yes	Yes
<p><b>Q6. Control and Benefit</b></p> <p>Do your members decide what to do with the profits of your organisation?</p>	Not distributed but yes	Not distributed but yes	Not distributed	Legal requirements of status how profits are used	No	No – but aiming to in the future	Yes	Yes
<p><b>Q7. Learning</b></p> <p>Does your organisation set aside time and money to allow its members and/or employees to develop their skills through training and education, so they</p>	Yes	Yes	Yes	Yes	Yes	No – but aiming to in the future	No	Yes

can effectively contribute towards the running of the co-operative?								
<b>Q8. Learning</b> Do you contribute to wider public education or awareness around the benefits of co-operation	Not formal co-operation but collaboration, mutual help and artistic endeavour	Not formal co-operation but collaboration, mutual help and artistic endeavour	Not formal co-operation but collaboration, mutual help and artistic endeavour	No	No	No	No	Yes, not formal
<b>Q9. Collaboration</b> Does your organisation collaborate or trade with other co-operatives?	Not formally with co-ops but collaboration with other creative organisations	Not formally with co-ops but collaboration with other creative organisations	Not formally with co-ops but collaboration with other creative organisations	No	Yes	Yes	Yes	Not yet
<b>Q10 Collaboration</b> Are you a member of a wider co-operative network that is recognised or affiliated to Co-operatives UK or the International Co-operative Alliance?	No – but of other collaborative networks	No – but of other collaborative networks	No – but of other collaborative networks	No	Yes	No	Yes	Yes

<p><b>Q11. Community</b> Does your organisation benefit society – for example by providing a community-centred service or using a proportion of its profits to support communities?</p>	<p>Yes -</p>	<p>Yes – charitable status</p>	<p>Yes – charitable status</p>	<p>No</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes – politically</p>	<p>No</p>
<p><b>Q12 Community</b> Does your business consider and try to improve its impact in terms of sustainable development?</p>	<p>Yes</p>	<p>Check</p>	<p>Check</p>	<p>No not known</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>	<p>Not specifically</p>

This mapping was done after the interviews by the researchers, not by the people interviewed for the case studies.

**Appendix 3 UK and French Legal forms**

<p>Legal</p>	<p>Does its</p>	<p>Can it issue</p>	<p>Can it pay a return on</p>	<p>Does it have to</p>	<p>Is it suitable for</p>	<p>Is it suitable for co-op</p>	<p>French Legal form</p>
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form	members have limited liability?	shares?	shareholdings?	register with a regulatory body?	charitable status?	status?	
Partnerships	No	No	No	No	No	Yes	Partnership
Associations	No	No	No	No (unless a charity)	Yes	Yes	Association a but non lucrative
Trust	No	No	No	No (unless a charity)	Yes	No	
Limited liability partnership (LLP)	Yes	No	No	Companies house	No	Yes	LLP?
Company Limited by Guarantee	Yes	No	No	Companies house	Yes	Yes	SARL?
Company Limited by shares	Yes	Yes	Yes	Companies house	No*	Yes	SARL
Community Interest Company (limited by guarantee)	Yes	No	No	Companies house & CIC regulator	No	Yes	SCIC
Community Interest Company	Yes	Yes	Yes – although it is	Companies house &	No	Yes	SCIC



(limited by shares)			subject to a cap	CIC regulator			
Charitable Incorporated Organisation	Yes	No	No	Charity commission	Yes	No	Association a but non lucratif
Industrial Provident Society ( <i>bona fide cooperative</i> )	Yes	Yes	Yes	Financial Services Authority	No	Yes	SCOP
Industrial Provident Society ( <i>society for the benefit of the community</i> )	Yes	Yes	Yes	Financial Services Authority	Yes	Yes	SCIC

\* In the past some charities were registered as companies limited by shares and some are still operating with this form and charitable status.

Adapted from *Simply Legal*, (2009) Co-operatives UK.