

Co-operation can be the key to

GOING FOR GROWTH

The move towards a mutual business model accelerated after the financial downturn, reports **Josephine Moulds**

Working for a family-owned business can be infuriating, particularly if the boss installs his woefully unprepared son as managing director. When that happened to Edmund Potter in the late 1960s, he decided to set up on his own and do things differently. In 1971, he launched Delta-T Devices, a maker of scientific instruments, which became a co-operative when it was large enough to qualify in 1980.

Delta-T now has annual revenues of about £4 million, with clients ranging from premier league football clubs buying soil moisture sensors to climate change scientists. All its 32 staff are members of the co-operative and have an equal say on the direction of the company.

According to Chris Nicholl, Delta-T's chairman: "One of the things that happens to a lot of our sister businesses is they are bought up by

an American or Chinese parent company and then the business gets restructured and what happens to the workforce depends on what's happening strategically to the new owners." At Delta-T, those decisions are made by the workers.

As public trust in corporations has sunk, membership of co-operatives has risen to 13.6 million, up from just under 12 million two years ago. Last year, the UK's 6,815 co-operatives had a joint turnover of £36 billion.

Ed Mayo, secretary-general of Co-operatives UK, says that this is driven, in part, by a stagnant economic climate. "When the economy is tough, it's a good time to pull together. If you have your customers outside, if you have your workforce inside, you're more likely to be resilient."

He argues that technology has helped to facilitate co-operatives, while demand stems from a growing desire to do work that makes a difference. "People are looking for

The reasons for joining are not so outlandish

Hiring is always a challenge in Cambridge, where there is virtually no unemployment and strong competition for the best candidates (Josephine Moulds writes). Chris Nicholl, of Delta-T Devices, says that being a co-operative helps and hinders in equal measure.

Delta-T offers slightly below market rates but distributes profits as dividends to its members, which can be 10 per cent of someone's salary in a good year. "To be part of a co-operative where you get to be part of the group that makes decisions about things is quite attractive to people. Also there's fabulous job security."

At Outlandish members are paid day rates, agreed with their peers, according to experience, productivity



Cambridge is not the easiest place to find new staff

and market rates and their needs. So, Harry Robbins, its founder, says: "People with children who are saving to

buy a house tend to reasonably argue that they need a higher rate for the job to be attractive." All

members, including the cleaner, are paid between £125 and £375 per day. After that, Outlandish makes an average of 20 per cent net profit each year. This gets split between the members of the co-operative according to the number of hours they have worked.

The money must be put towards something in the interest of the company. People can put a portion of their bonus towards a new website for the co-operative, for example, via an internal crowdfunding platform.

Mr Robbins says: "We used to give the money as a dividend, but then we decided that people get perfectly well paid and would rather spend their life doing something they believe in rather than having more cash."

meaningful work that they can believe in. That sense that you are in control of your work, that you are doing something important, is probably as relevant as the potential for co-operation simply to help

people to generate business and share profits."

Many of the newer co-operatives are coalitions of freelancers with a shared purpose. Outlandish is a co-operative of 20 web developers, who

work on projects ranging from designing a pension systems website to an online tool for the campaign against school cuts.

Harry Robbins, its founder, says that the motivation for becoming a

survival in a competitive world



Chris Nicholl, of Delta-T Devices, a maker of scientific instruments, and Lyndon Edwards, below, of Omsco, a group of 270 dairy farmers, back the co-operative model

co-operative was partly ideological and partly practical. "I would much rather work with a range of colleagues who are sharing the challenges of running a business and who are in the same boat as me."

The traditional image of a co-operative is of endless meetings and votes to make even the smallest decision. Lyndon Edwards, of Omsco, a national co-operative of 270 dairy farmers that provides 65 per cent of the UK's organic milk, says: "In my time as deputy chairman, I have never known a vote on anything. It's always consensus. All our members have very similar outlooks on wanting the organic industry to work properly." He says that regular

meetings are, however, crucial. "The co-operative governance is very, very important. Compared with private companies or [listed businesses], it will seem very onerous to people how much time we spend talking. To me, that is the key to actually keeping the family together."

Mr Robbins says that Outlandish's structure means that it can take decisions more quickly than companies. "The members of the co-op essentially form both the board and the executive committee. So, in that sense, it's more nimble. If a company needed to have a board decision, they'd normally have to have an extra board meeting."

Counter-intuitively, there is also an



argument that co-operatives can be more efficient. Mr Mayo suggests that "if you have a single owner you can make an instant decision, so [co-operatives] may be slower sometimes taking decisions, but they are much faster at putting them into effect because everyone has been involved, they know what the decision is about. It does mean that co-operatives can be as agile as any of our competitors."

The co-operative model has its weaknesses. Mr Nicholl says that Delta-T makes decisions quickly, but being a worker-owned enterprise can make it risk-averse: "Looking after the job security and the wellbeing of the workforce has a higher status in our minds than positioning ourselves rapidly into new markets, or taking risks that might have high payback but would potentially put the whole business at risk."

"That's true of co-operative businesses as a whole. We are looking after our members' jobs as a priority, slightly at the expense of making entrepreneurial and risky choices that might actually pay off."

He says that it is not an issue for the co-op, although Delta-T has discussed ways to tackle this in the past, including spinning off small co-operatives that could succeed or fail without dragging down the main business.

Mr Mayo says that there is evidence that co-operative businesses make fewer redundancies than companies during recessions. "That is both a strength and a weakness. It's a strength in terms of staff loyalty and engagement and it drives a certain creativity. It can be a weakness if fundamentally businesses are overstaffed for the market conditions they operate in." He says that the structure works best in areas where needs are not being met. "Co-operatives have always started where people wanted to do something that they couldn't get done through other business models."

He sees social care, with its unstable businesses and sometimes scandalously poor standards, as an area crying out for a new approach, "with an ageing population, a demoralised workforce, but also concerns and challenges about whether people are treated with dignity."

"That is an area where co-operatives could play a really important role because they would be businesses that would be owned and led by the people involved in the care itself. They are not having to pay back venture capital. The job is to look after the people in front of them."

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BUSINESS STRATEGY

Industry demands German-style support

Alexandra Freen

Manufacturers believe that the support they get from the government lags far behind levels found in Germany and are calling on ministers to ensure that all departments are involved in the new industrial strategy.

Although 82 per cent of the public told a survey that a strong manufacturing base was essential for future prosperity, only 8 per cent of manufacturers believe that Britain has supportive policies, compared with 65 per cent arguing that Germany does.

The EEF, the manufacturers' asso-

ciation, which conducted the research, is calling on the government to fill the gaps by being more explicit about how every department can play its part.

Lee Hopley, the EEF's chief economist, said this meant ensuring that departments such as health and defence, which are among the biggest procurers of goods and services, acted in a way that promoted the growth of British businesses.

A green paper was published in January to open a discussion about an industrial strategy, which will be the first formal arrangement since the 1970s. It is understood that the consul-

tation has attracted 2,000 responses. A white paper is expected in the autumn.

In its own paper published today, the EEF calls on the government to set out a clear vision of what a successful outcome would look like, including clear metrics to track progress. "Unless we set out what the point is, it's hard to see how departments can line up behind the strategy," Ms Hopley said.

The EEF is also asking the government to focus on the cost of doing business, which is missing in the strategy, so that expenses such as business rates and the apprenticeships levy are built into it.

Importers fear higher costs

Robin Pagnamenta

More than two thirds of small businesses that import goods and services expect their costs to rise after Brexit.

A survey of 1,325 small business owners by Funding Circle, the peer-to-peer lending platform, found that importers expected their average costs to increase by £5,300 a month, or nearly £64,000 a year. Overall, 69 per cent expected higher import costs.

James Meekings, co-founder of Funding Circle, said that it was too soon to comment on the impact of Brexit, but it was important to consider how to

support small importers that faced a potential increase in costs. More than 214,000 small businesses import goods or services, Funding Circle estimates.

The Federation of Small Businesses has called for a phased introduction of any new immigration system. Mike Cherry, its national chairman, said this would be "a sign of much-needed stability" for industry. "Skills and labour from the EU play an important role in many small businesses, with one in five small employers having EU workers. It is vital for the growth and survival of smaller firms that the new system is easy to navigate and affordable," he said.