



Case Study: Cockpit Arts



Key themes

- An example of a successful innovative social enterprise
- Using small loans for investment and capacity building for the longer term
- A best practice model for business development in the craft sector



Summary

Cockpit Arts, established in 1986, is a social enterprise and the UK's only creative-business incubator for designer-makers (designers and artisans with a craft basis to their work). The work that is created at Cockpit includes: ceramics, glass, fashion, jewellery, textile, metal and silverworks, furniture, interior products, and specialist crafts.

Cockpit Arts has formulated its vision:

“to be the foremost creative business incubator with a global reputation.”

Cockpit Arts' mission:

“We support and promote talented designer-makers from all backgrounds through all stages of their career. We strive to raise standards in the contemporary craft and design sectors, making an important contribution to the UK cultural landscape and economy.”



How it started

Cockpit Arts was developing new incubation approaches while Esmée Fairbairn Foundation were simultaneously seeking to test the impact of making small loans to individuals.

Cockpit Arts has been delivering bespoke training for start-ups and growing businesses in the craft sector since 2001. This concept has been developed further and became a central aspect of Cockpit Arts' business strategy. By supporting its studio holders to grow their businesses, they would be able to pay Cockpit Arts more and quicker and thus contribute to the sustainability of Cockpit Arts.

The majority of Cockpit Arts beneficiaries are sole traders and would be turned down were they to apply for a commercial loan, on grounds of their age, credit record, lack of security or because they are simply not earning enough. A partnership with Esmée Fairbairn was therefore a good fit.

The aim of the pilot project was to test the extent to which our businesses can grow, develop and become more successful if they can access suitable loan finance, allied to tailored, one to one business development support.

It was hoped that the scheme would also encourage a shift in culture and mindset among the Cockpit studio holders by creating peer competition, encouraging entrepreneurialism and sustainability and positive role models for growth.

How does it work?

Business owners are referred to the loan fund via Cockpit's business incubation process, which has a focus on an annual business review and ongoing one to one business coaching.

- Applicants undertake a business 'healthcheck' and receive intensive business development support to produce a business plan, which forms the basis of the loan application.
- Applications are then assessed by an independent, voluntary Loans Panel.
- One to one coaching is then provided to successful applicants to support the implementation of the business plan.



Angie Boothroyd, Jeweller, in her studio at Cockpit Arts



Loans of up to £10,000 are available at a fixed rate of interest of 6%.

In almost all cases the loans are supporting:

- Purchase of capital equipment to increase or improve production.
- Outsourcing manufacture to reduce costs, increase production capacity, increase profitability (and create time for the owner-managers to focus on running the business).
- Accessing routes to new markets - e-commerce websites, trade show costs, and rebranding to support entry into new markets.

In each case, the loan has supported the owner-manager to create a more scalable business, capable of economies of scale and increased profits as the business continues to grow. The overall aim has been to develop a business model that creates enough profit to sustain the business and provide the owner-manager with a full time regular income.

Key facts and figures – impact

The scheme has been highly successful and has a zero default rate. Loan recipients have reported an average increase in turnover of 28%, and an average increase in profits of 75%.

The business loans and the subsequent growth and development of the successful applicants have led to the creation of 3 PAYE jobs, 20 people who work for a successful applicant on a contract basis, and 17 internships over the last three years.



Jim Ducker, shoemaker

A Social Return on Investment (SROI) approach was used to understand the wider impacts of the BGLS and to demonstrate the value created by the programme. A number of intermediary outcomes were identified that led to the overall improvements in business performance, primarily a reported increase in business, finance and marketing skills. In some cases, the successful applicants used their business plan and newly acquired skills to successfully apply for other development opportunities, such as loans, grants and awards.

In addition, a number of social outcomes were identified, such as increased motivation and confidence to develop the business, increased job satisfaction and a shift in mindset towards a more objective outlook.



By undertaking a business planning process and receiving the dedicated support, the applicants realised the potential of their business. This also led to changed and more realistic aspirations of what they want to achieve and a better understanding of what they need to do to get there.

As well as the 15 successful applicants, a further 18 businesses began the application process and received one to one support to develop and implement business plans but did not receive loans.

The SROI analysis estimates that for every £1 invested in the BGLS there is value in the range of £2.01 to £3.36 created.

Cockpit Arts has become an authority in business development via the provision of small loans and one to one coaching to small creative businesses. They are regularly approached to consult and share their knowledge on best practice.



Photo credit: Tomas Valenzuela Blejer

"It was definitely the catalyst for my business. Eased cashflow and took off the pressure. It gave me confidence and made me more decisive."

Challenges

Despite the fact the project was aimed at more established businesses, levels of financial literacy among business owners were lower than expected. As such, some applicants required far more hand-holding and guidance than initially anticipated. Business and financial planning templates were developed to support this and have worked well.

In some cases, as the businesses have grown, the additional managerial responsibilities have created added pressure on the businesses' owners. This has highlighted the importance of providing ongoing one to one coaching to help guide business owners through the sometimes steep learning curve.



Conclusions

The SROI evaluation has shown that the loan scheme in particular created a considerable social value of between £2.01 and £3.36 for every pound of investment and that a successor programme of the BGLS is a good opportunity for an investor with a social objective.

The future

Cockpit Arts has now established a business development team comprising a full time Head of Business Development, part time Business Development Manager and part time Business Information Manager.

Despite the economic climate, early indications show another good year for designer-makers at the studios, with profits continuing to grow at an average of 25% (above the rate of inflation) – as they have year on year since Cockpit started measuring in 2005.

The success of the scheme in terms of growth outcomes for the applicants and a zero bad debt record for the lender has enabled Cockpit to secure a new fund partner for the future.

With support from organisations such as Esmée Fairbairn Foundation, Cockpit has transformed from solely a workspace centre to a creative business incubator. They have increased the level of their earned income to 93% of operating budget and are forecast to increase this to 97% in the current financial year 2011/12, to break even in 2012/13, and generate surpluses every year thereafter.

These surpluses will continue to support our studio holders and broader social mission.

Case Study written by Cockpit Arts, November 2011.

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