

think  
and act



## **Creation and transmission of cultural companies : what public policy issues ?**

University of Thessaly  
School of engineering  
Departement of planning and regional development  
Graduate seminars 2016-2017

**2016, december 14th**

Valérie Champetier

think  
and act

# Summary

- **What are we talking about?**
  - Definition and perimeter of cultural sectors
  - Weight Cultural sector in the economy
  - The concern of the cultural firms in a public policy
  - Methodology
- **The creation of cultural firms**
  - Specificity of cultural firms created from scratch
  - The various risks that cultural firms face
  - Cultural sectors behave differently in face of risks
  - The role and importance of the initial funding
  - The geographic cluster
- **The sale or transmission of cultural firms**
  - The creation by take over in the french economy
  - Part and evolution of firm creation by take over
  - Sustainability in firms created by take over in the differents cultural sectors
  - Typology of the cultural sectors facing firm creation by take over
- **Advices for public policies**

# Definition and perimeter of the cultural sectors

183.237 firms, that is 5,5% of all the firms

295.331 jobs, that is 2,4% of all the jobs

79,8 Mds€ turnover, that is 2,2% of the entire economy

## Visual arts

Artistic creation,  
photographers,  
design

## Patrimony

Museums,  
monument, archives  
management, public  
libraries

## Performing arts

Theatre, theatre  
companies, concerts

## Advertising

Advertising  
agencies

## Books

Edition of books,  
edition of  
newspapers,  
magazines, press  
agencies  
Bookstores  
Newspaperstores

## Architecture

Architectures  
agencies,  
independant  
architects

## Audiovisual

Movie : production,  
distribution, post-  
production, movies theatre  
TV : production , channels  
Radio  
recorded Music  
Video and videogame ,  
VOD, SVOD

## Commerce

Bookstores,  
newspaper  
stores music  
store, video  
store,



# Weight of cultural sectors in the economy

## In France

Domaine	Companies	Employment	Turnover in M€
	Nombre unités légales	Effectifs salariés ETP	CA HT (en Millions d'€)
Audiovisual and Multimedia	19 529	72 656	25 396
Books and news papers	10 177	64 202	18 058
Advertising	17 050	72 264	12 065
Cultural retrail	15 271	11 393	8 252
Architecture	29 997	32 668	6 590
Performing arts	17 412	22 595	4 600
Visual arts	55 247	13 856	3 688
Patrimony	325	2 616	268
<b>TOTAL</b>	<b>165 008</b>	<b>292 250</b>	<b>78 916</b>



Study the position of the different sectors on each of these indicators shows us some of their characteristics

- Audiovisual** : the biggest sector in turnover and employment
- Architecture** : a lot of companies and employment but low turnover
- Books** a lot of employment
- Visual arts** a lot of companies

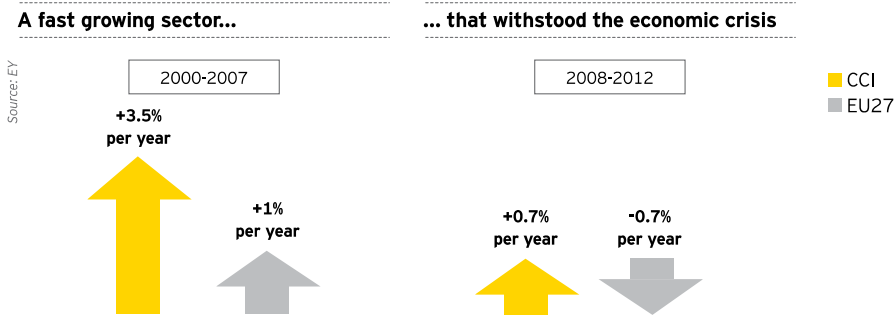
think  
and act

# Weight of cultural sectors in the economy

## In Europe

**Third largest employer**, 2,5 times more than in the automobile industry : 7,1 millions of direct jobs (2013),  
535,b€ of revenues : It contribute to 4,2% of the Europe GDP

## A fast growing sector and resilience during the crises



1. Eurostat - EU Labour Force Survey, EY analysis

## A potential for youth employment versus other sectors

- 19% of 18-29 years old in cultural sectors vs 18% in the rest of the economy
- For young people : sectors highly attractive, open and absorb easily young people



## The concern of cultural firms in a public policy

- An increasingly important sector in the economy;
- Challenge of democracy ;



- Cultural companies could have specific characteristics which could make them more fragile than other companies\*.

Understand the fragility of cultural firms

Analysing of 2 moments of the company's life : the creation (from scratch) and the transmission (give or sale)

\* Xavier Greffe 2005 and Baumol 1966

### 1- French statistic tool : SINE

- New firms information system
- Inquiry, created in 1994

Objective : Answer the demand of different public or private bodies to develop support policies for new businesses

be informed about the beginning of a firm

A firm is questioned the first year, 3 years later and in the 5th year of the creation

### Creation could be From scratch or transmission

### 2 - Qualitative interviews

With 30 cultural entrepreneurs in 7 different cultural sectors

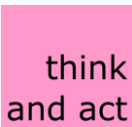
- Sectors structure and relementation
- Profile of the seller and the buyer
- Conditions and difficulties of the transmission, cession
- Specificities of the sector which could have impact on the cession or transmission,
- Public or regional aid that already exist
- Desired changes

---

**20** **Votre projet a consisté à :** **UNE SEULE** RÉPONSE

- Racheter l'entreprise de votre dernier employeur .....  1
- Recevoir ou racheter une entreprise de votre entourage familial (héritage, donation, reprise au conjoint, ...) .....  2
- Racheter une entreprise à un tiers (hors famille) .....  3
- Prendre une location gérance.....  4
- Créer une entreprise nouvelle .....  5

TYPCRE6A



# Summary

- **What are we talking about?**
  - Definition and perimeter of cultural sectors
  - Weight Cultural sector in the economy
  - The concern of the cultural firms in a public policy
  - Methodology
- **The creation of cultural firms**
  - Specificity of cultural firms created from scratch
  - The various risks that cultural firms face
  - Cultural sectors behave differently in face of risks
  - The role and importance of the initial funding
  - The geographic cluster
- **The sale or transmission of cultural firms**
  - The creation by take over in the french economy
  - Part and evolution of firm creation by take over
  - Sustainability in firms created by take over in the differents cultural sectors
  - Typology of the cultural sectors facing firm creation by take over
- **Advices for public policies**



# Specificity of cultural firms created from scratch

## • Profile of the new firms in the cultural sector

- More creation from scratch 87 vs 90
- More created by only one person
- Use more often the support of public bodies and use less bank loans
- About 2/3 don't make specific studies before launching their business

## • Survival rate of new cultural firms

- In global, same survival rates than in the rest of the economy : 47,7% vs 47,5%
- But it's different when we look at each cultural sectors

Sector	Incidence Rate	
Arts	15,05	Higher incidence rate
Edition	13,37	
Non-cultural	13,06	
Performing Arts	12,64	Lower incidence rate
Audiovisual	10,75	
Cultural products	10,72	

SINE 1998

# Sustainability of a cultural firm : 2 types of risk

## Artisanal type of risk

- The firm is an Artisanal workshop : **prestige of the master**
- Find a **solution to a new problem**
- The value of the firm and the product is **based on the confidence** the client has for the master
- Difficult in the beginning because the **artist/entrepreneur is not well known**
- When the firm becomes famous the risks are reduced

## Industrial type of risk

- The firm is an organization : build a good **coordination of different functions**
- Find the **good talents**
- In the time **imposed by the market**
- Risk similar to those of the entire economy

### We have 3 groups of cultural industries facing differently these two risks

#### Visual arts and theatre company

- Artisanal workshop
- successful project allows to enter the world of art and confers a rent of notoriety
- Strong first-year incidence rate

#### Movie producer or book editor

- The incidence rate is constant over the entire period
- Industrial rate
- It is a low incidence rate

#### Culturals products (video games, crafts)

- Very variable evolution of the incidence rate
- The risk is more industrial than artisanal



# The role and the importance of an initial funding

## Obtaining initial funding is an indicator of the project's quality

- How to promote the quality of the cultural products made by the company
- The producers will seek signals for the consumers to testify of the quality :

## But the repayment of the funding may compromise the survival of the firm

- Too high
- And limit the possibility of invest in the activity



## Exact function of the banking institutions

Banks know how to identify good cultural projects... But it's better that specialized institutions or public bodies give grant to the cultural firms

# The geographic grouping

## Ability to locate in a stimulating atmosphere

- The Marshall's district : concentration of a lot of small businesses
- New companies in the district take advantage of exchange of ideas and information
- Rapid recognition of required innovations in equipment or organization
- Creation of a local qualified work market

## Role of geographical concentration

- A strong direct competition reduces the chances of survival
- The presence of many and different cultural activities in the region promotes the chances of survival



**A grouping but not too competitive**

# Summary

- **What are we talking about?**
  - Definition and perimeter of cultural sectors
  - Weight Cultural sector in the economy
  - The concern of the cultural firms in a public policy
  - Methodology
- **The creation of cultural firms**
  - Specificity of cultural firms created from scratch
  - The various risks that cultural firms face
  - Cultural sectors behave differently in face of risks
  - The role and importance of the initial funding
  - The geographic cluster
- **The sale or transmission of cultural firms**
  - The creation by take over in the french economy
  - Part and evolution of firm creation by take over
  - Sustainability in firms created by take over in the different cultural sectors
  - Typology of the cultural sectors facing firm creation by take over
- **Advices for public policies**

# The creation by take over in the french economy

- **What is transmission or sale or take over of a company ?**
  - What is the transfer or takeover of a company : transfer of assets and liabilities
  - It has 3 characteristics : on activity, means and rights/obligations
  - It concerns the very small, small and medium size companies
  - It's a period of fragility for the company

- 
- 20** **Votre projet a consisté à :** **UNE SEULE RÉPONSE**
- Racheter l'entreprise de votre dernier employeur .....  1
  - Recevoir ou racheter une entreprise de votre entourage familial (héritage, donation, reprise au conjoint, ...) .....  2
  - Racheter une entreprise à un tiers (hors famille) .....  3
  - Prendre une location gérance.....  4
  - Créer une entreprise nouvelle .....  5

TYPCRE6A

# The creation by take over in the french economy

- **The history of this question in France**

- In recent history in France, transmission or sale had been an important question of public policy : after the second WW, 1984, 1994 on a european level
- In the years 2000, it came with the question of the coming on retirement for the babyboom generation : 700.000 to 900.000 companies could need to have a new entrepreneur in all the period

- **The French specificity on the family take over in Europe**

- The family transmission is very low : 6%
- France is behind other European countries, Japan and North America : family transmission is 58% in Germany, 55% in Netherlands, 72% in Italy



# Part and evolution of firm creation by take over

## Creation from scratch and by take over in the economy vs the all cultural sector in general

- In the entire economy, the creation by take over is very low, It's even lower in the cultural sector in general : 14% and 11%
- After the economic crisis in 2008, it's even lower

## But big differences between cultural sectors

- Bookstores, newspaper seller, TV channels, movies theater, majority of the creation is by take over, but big change after the crisis
- Arts creation, architecture, production, books edition, very low by take over and little more after the economic crisis

	% Creation from scratch		% Take over Creation	
	2006	2010	2006	2010
All economic sectors	86%	88%	14%	12%
Only cultural sectors	89%	92%	11%	8%
Culture with trade	38%	66%	<b>62%</b>	<b>34%</b>
Culture without trade	97%	94%	3%	6%
Creation	97%	95%	3%	5%
Production / Edition	97%	94%	3%	6%
Diffusion / trade	40%	68%	60%	32%

# Sustainability in firms created by take over

## Cultural sectors vs the rest of the economy

	Tous secteurs marchands		Tous secteurs marchands culturels	
	nouvelle	reprise	nouvelle	reprise
unités en 2006	111 844	18 055	5 311	623
survivant 2009	72 651	14 845	3 597	572
survivant 2011	56 941	12 085	2 782	489
survie à 3 ans	65%	82%	68%	92%
survie à 5 ans	51%	67%	52%	78%

### In the entire economy

The survival rate is bigger for the creation by take over

**In the cultural sector** the survival rate by take over is even stronger

## The different cultural sectors

	Creation	Diffusion / Commerce	Production / Edition
	reprise	reprise	reprise
unités en 2006	69	467	88
survivant 2009	53	436	83
survivant 2011	53	357	79
survie à 3 ans	77%	93%	95%
survie à 5 ans	78%	76%	90%

### We have 2 « survival behaviors »

- A model with a very high survival at 3 years and an important decrease of the survival rate at 5 years (low 17 points)
- A model with a stable survival rate over time : lower in the creation that in the production and edition

# Typology of the cultural sectors facing firm creation by take over

4 groups

- **A group in which company have no vocation to be transmitted**
  - Arts Galleries, independant movie production
  - This way of creation is at the opposite of the substance of those sectors :
  - We find that companies are not exactly businesses
- **A group in which the weakness of transmission is the illustration of a lack of structuration of the companies**
  - Audiovisual and architecture
  - The companies has to be well organised to succeed in their development, exportation, etc.
  - The architecture sector is a main example

# Typology of the cultural sectors facing firm creation by takeover

## 4 groups

- **A group in which the difficulties are for the professionals without own money**
  - Theatre and movies theatre; it's a **situational problems** which could change the structure of this activity
  - Mega concentration at the world level in movies theatre :
  - So assistance plans (by the professionals or by the state) that allow companies to spread repayments over time
- **A group in which the transmission of companies is a structural problem due to the low profitability of the activity**
  - Bookstores
  - In bookstores the transfer or take over of companies is a **structural problem**
  - The problem is that the buyer is not overwhelmed by the repayment of the loan and can continue to invest in the development of his bookstore
  - One main help has been created by the publishers in order to maintain independant librairies

# Summary

- **What are we talking about?**
  - Definition and perimeter of cultural sectors
  - Weight Cultural sector in the economy
  - The concern of the cultural firms in a public policy
  - Methodology
- **The creation of cultural firms**
  - Specificity of cultural firms created from scratch
  - The various risks that cultural firms face
  - Cultural sectors behave differently in face of risks
  - The role and importance of the initial funding
  - The geographic cluster
- **The sale or transmission of cultural firms**
  - The creation by take over in the french economy
  - Part and evolution of firm creation by take over
  - Sustainability in firms created by take over in the differents cultural sectors
  - Typology of the cultural sectors facing firm creation by take over
- **Advices for public policies**

## The lessons in terms of public policy

- Help new companies to **better assume the artisanal risk** since it is a cleaver and not a clear judgment of the market
- **Distributing responsibilities between banks and public bodies in financing** : banks identify good projects and public or sectoral organizations contribute in the help of funds to lighten the burden of repayments
- Support specific funding **device build by the professionnels** of the sector (like publishers for independant librairies)
- **Support clusters**, cultural incubators, professionalize their services and support diversity.
- Help companies in some cultural sectors to **structure themselves as companies**

## Contacts ThinkandAct

Valérie Champetier

01.43.38.62.62 // 06.12.13.35.73  
[valerie.champetier@thinkandact.fr](mailto:valerie.champetier@thinkandact.fr)  
[www.thinkandact.fr](http://www.thinkandact.fr)