



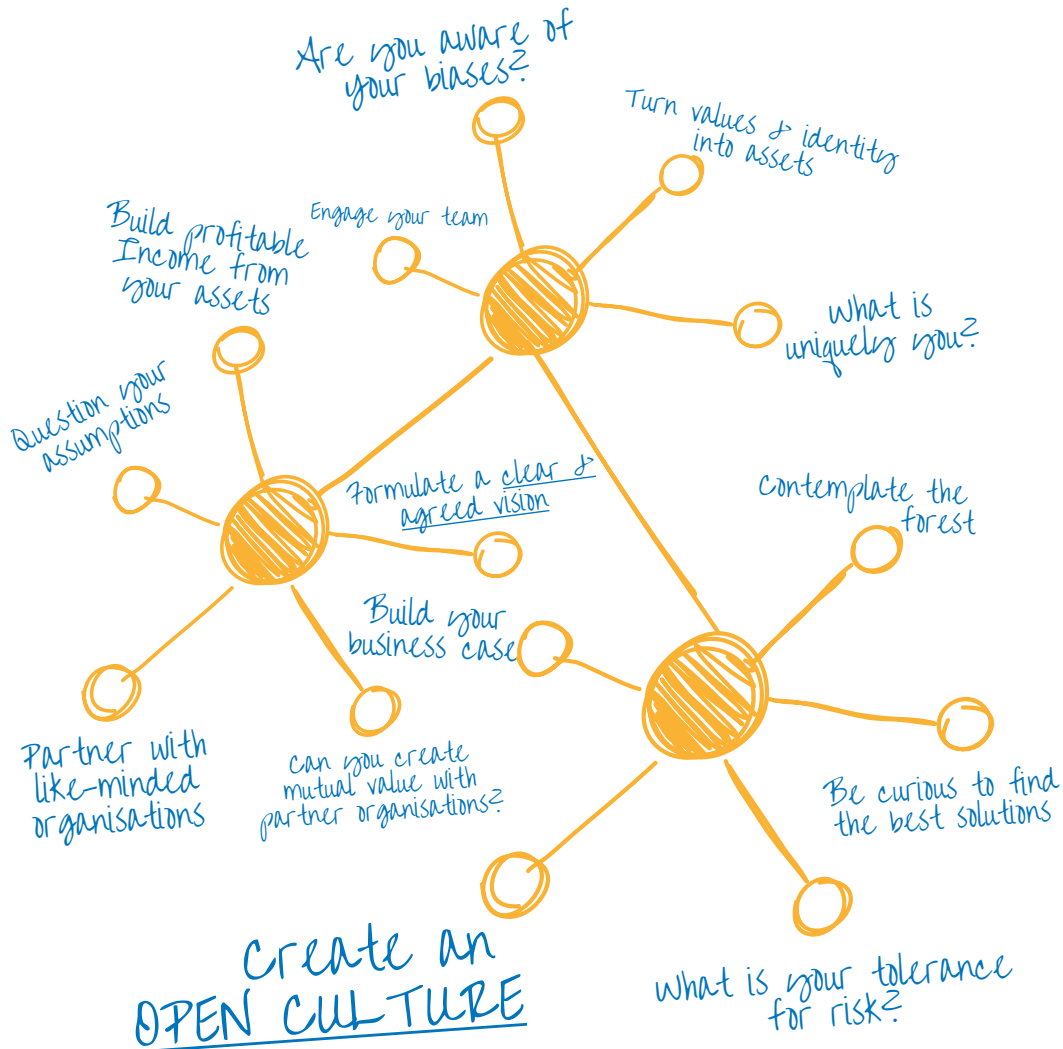
From not-for-profit to **more-than profit**

How an **open culture** can support
growth in earned income



CULTURAL
ENTERPRISES
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Touchpoints



Introducing the author



Louise Emerson works with arts and culture organisations and Museums to undertake feasibility studies for income generation, strategic plans and build strong confident teams. Following her first degree at Nottingham University, Louise qualified as a chartered Electrical and Electronic Engineer and worked for GEC and M/A COM in marketing and design. Following her MBA Louise worked with small businesses across sectors to develop growth strategies and international partnerships. She seized the opportunity to bring her love of the arts and business skills together, leading a multi-disciplinary arts centre and starting the Belfast Literary Festival.

Louise continued to work in the cultural sector leading the commercial strategy, developing brand and purpose in organisations and developing international and national partnerships with partners such as BBC, Panasonic, American Museum of Natural History, San Rio Corp., News International, SKY, and British Airways. Louise started coaching 10 years ago whilst Head of Business and Commercial Strategy at the Natural History Museum and has recently

completed further study at Warwick University.

Louise set up her own consultancy **take the current**, which helps organisations develop strategic plans, manage change, increase and develop income streams and coaches and supports leaders and senior teams.

Clients include Royal Botanic Gardens, Kew, National Maritime Museum, The Place, Wye River Valley Festival, Wellcome Trust, National Horse Racing Museum, Harlow District Council, and the Roald Dahl Museum.

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Introduction

In 2001, the UK government removed entry charges from national museums. This placed the national museums at the vanguard of a culture change which would come to affect much of the arts, heritage and cultural sectors. Faced with a significant reduction in income, temporarily cushioned by ever-reducing subsidy, these institutions had to work fast to develop commercial strategies to create and build new income streams.

Since the end of entry charges, visits have risen massively but decreased in duration. Although by and large museums are increasing their earned income, there remain doubts over the impact of free entry on social inclusion and participation.¹

Since 2010, Local Authority-funded cultural organisations have seen an unprecedented reduction in funds. This has brought on closures but also huge culture change in order to survive, and in many cases thrive, by employing new ways of working and new ways of thinking.

With Local Authorities struggling to deliver even basic services, the longer term health and wellbeing, economic and social benefits of the arts and culture are often not prioritised.

Due to a need to tackle symptoms and solve problems in the short term, little space and time is left to tolerate the inherent delays between the cause and effect of cultural activity.

Happily, there are also a plethora of examples where the opposite is true. Nesta (formerly the National Endowment for Science, Technology and the Arts) recognise not only the innovation, but also the economic and social benefit of arts and culture, in their investments. They recognise that the cultural sector interacts with many different markets including retail, hospitality, and public commissioning – and that culture brings dynamism and creativity to those markets.

The tougher funding environment has forced a change in the culture and business models in cultural organisations, as well as how funding bodies approach their investment decisions.

Demonstrating the ability to earn income is now a reason to invest; entrepreneurial thinking is welcomed and encouraged, and a broadening of the roles a cultural organisation can play outside the cultural arena can create value beyond the 'traditional' role. This is welcomed by the national Arts Councils, National Lottery Heritage Fund and other forward thinking funders.

All of this, in addition to building the nation's creativity capital which nourishes a £92bn creative industries sector.



Turning assets into income

Turning assets into profitable income is not only important to cultural organisations – it is a must, as **Caroline Jones, Co-Director CEO from The Story Museum Oxford**, a recipient of Nesta investment, told me.

As a new cultural enterprise, with no regular subsidy until it joined the Arts Council's National Portfolio in 2018, the Story Museum has always had to self-generate funding to meet both activity and capital costs. Within 18 months of re-opening in March 2020 following a major capital project, they aim to operate a 40:60 funding model; non-earned (charitable gifts and donations) to earned income. Some of that earned income will come from admission charges, and so the visitor experience must continue to be compelling – more so given that they are located in a city where most museums are free.

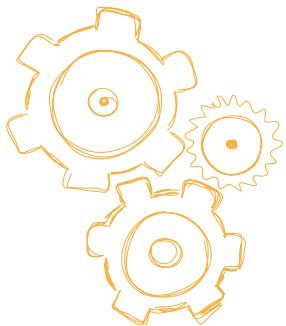
The Story Museum is creating a magical space where visitors will amble through a whispering wood and an enchanted library; 5 galleries in all and a 120-seater theatre to occupy its guests for an expected four-hour duration, just the right amount of time to warrant a visit to the café (which will have doubled in size and is operated in-house) and of course, to pop in to the shop to select from the bespoke

merchandise. Both café and shop are open to the street, giving the opportunity to maximise footfall. Both have remained open throughout the redevelopment.

The capital project has enabled The Story Museum to add studio spaces for hire, and increase the size of their events space which will also be hired out.

But as I frequently hear when working with cultural institutions - hiring out the spaces is not about profit only. The Story Museum wants to welcome likeminded organisations to hire their studios. Organisations with whom mutual value can be created, and whose people and behaviours are aligned with those of the Story Museum. They are seeking to earn income and extend their influence and impact whilst sharing their creativity and dynamism.

Most organisations mention the limitations or frustrations of their site when working through their SWOT. It could be capacity of the theatre or event space, the location of this or the lack of space for that. How liberating, to be able to start with a clean sheet or at least with a sketch to elaborate upon, and design in fully integrated income opportunities. An opportunity which is all too rare.



Re-invention, agility, & a learning culture

Being able to reinvent our organisations, and be agile in order to stay relevant, are prerequisites in fast moving and uncertain times, and this requires us to learn continually. Having a learning culture opens up innovative thinking, cross-fertilisation, and gives organisations the opportunity to make productive changes.

Whether it is business planning for a redevelopment, or regular 3-5-year planning, every Director is making assumptions about what could or will happen. An organisation has to commit to its best (informed) guess of who will come, how many, what will they pay, what they will buy, how they will behave, what they want before and after their visit. Will they come back, and will those who do not come be open to trying something totally new to them? At this stage of planning, having an open culture will serve you best. The opportunity to listen, see different points of view, hear opposing ideas and sometimes difficult thoughts, will help to adapt your assumptions and shape the best solution.

All of this of course emanates from a clear and agreed vision.

The most successful organisations

hold vision in high regard. It goes deep, it's personal, and it goes hand in glove with your mission, purpose and a set of guiding values. These facets are fundamental to your success, and so it is valuable to invest time to define these clearly. They will become the basis of everything you do. I have worked with organisations that have avoided sorting out differences of opinion at this fundamental stage only for them to re-emerge later when they are much harder to address. The creative tension between the vision and where you are currently is what drives you forward.

This personal commitment to vision and inclusive growth was clear when speaking to **Iain Watson, Director of Tyne and Wear Archives & Museums (TWAM)**, responsible for 9 museums and the regional archives. TWAM have a vision for everyone to have access to their sites and services. For Iain, this is not only the day job, it is personal. TWAM went through an intensive review of their self-generated income, which led to a complete change in thinking; going from "managing budgets to generating income". As Iain told me, he has had to become proficient at riding two horses - mission and money. He uses purely commercial activity to enable his people to grow the diversity of their audiences and work to improve social issues, particularly health and well-being. As Iain noted, "nothing is free; it's a case of how you choose to cover the cost".

Nothing is free, it's a case of how you choose to cover the cost.

Iain Watson
Tyne & Wear Archives
and Museums

To sustainably maximise income and spot commercial opportunities, an organisation must create the optimal conditions at every level. Having a Commercial Strategy is critical to success. Although it may not win everyone over in the way you might like, it gives you authority in getting what you need across internal borders.

Your business plan gives you the opportunity to detail which assets you will use to earn income, how you will do that, what it is going to cost and what you expect to earn, as well as any other brand benefits. The use of assets can sometimes be a battleground, so it is good to have those intentions clear and ratified. The outcome is rarely only about money, as we have seen, it is also about adding value to the brand or extending your organisation's visibility. Good examples of this include the Barbican's partnership with Warehouse or Royal Botanic Gardens, Kew's relationship with Proctor and Gamble. It can also extend your organisation's knowledge base to a wider audience through events, talks or published material.

To create a credible plan, you need to know your costs as well as income. Too many organisations operating commercial income streams only measure the income, and do not have

clear information on the true cost of doing business. This makes it hard for commercially-minded staff to feel respected, and can undermine the credibility of commercial operations internally. Take time to unravel the costs and set them against income. In doing so, it's likely that you will need to agree some assumptions – for example around resource allocation or overheads.

Every Director I spoke to put staff at the centre of their commercial success.

Not only recruiting people with the right skills but ensuring that staff across the whole organisation understood the earned income imperative.

Steve Mannix, Executive Director at the Mercury Theatre Colchester told me how he engaged his front of house staff, prior to rolling out his commercial strategy, by sharing information: "We sell £75k of ice cream and the water bill costs us £90K".... This is no longer the case, with sales monitored nightly and a commercial ethos that is embedded across the whole team, continually driving increases in revenues and profits.

More than money

Many organisations are going beyond earning income. Having got their commercial operations off the ground, they are looking for ways to turn their values and identity into assets, creating a symbiosis between brand and earned income.

The Mercury Theatre Colchester is the largest employer in town, and for Steve it is crucially important that the theatre is part of the community, part of the fabric of the place and delivering value back. This bond with the community and business partners, such as the local Business Improvement District (BID) and Tourism offices, creates loyalty and in turn greater income.

For **Caroline Brown, Head of Commercial Services at the British Library**, it is about drawing out what is unique about the British Library's position and where it has come from. The merchandising with exhibitions is designed to deepen the experience and add value through bespoke products, new titles and well curated book ranges. The Library's commitment to helping business start-ups through the Business & IP Centre has led Caroline to align with that ethos, by buying and commissioning from young designers. The organisation's strong ethical values are demonstrated throughout their catering outlets and their partnership with Origin Coffee Roasters; values which go right to the top of the organisation. The library's CEO, Roly Keating, can be seen with his

own reusable cup when visiting the library's cafés, keeping the vision personal. For Caroline all of the commercial income streams need to extend the values and story of the library, this strengthens the brand but also creates alignment which visitors buy into; ultimately demonstrated in the bottom line.

Clearly both organisations are using their organisational values and identities as assets.

What makes you different? Is it where you have come from? What you stand for? Who you are for, or what you create? Bring this into the centre of your business planning to leverage more income and create an authentic offer to your visitors.

Contemplate the forest

There is a lot to cover as a Commercial Director or Manager in the cultural sector, not only running the commercial business units but working across the whole organisation to ensure that you are fully embedded and representing the organisation externally. Senior managers in smaller organisations often need to spread themselves across multiple functions. This does not easily create space to stand back from the trees and contemplate the forest. But this is as important as attending to the work at hand if you want to improve performance.

Many of your greatest threats come from gradual movements and shifts, chipping away and eventually creating major issues. Their gradual nature makes these changes easy to ignore or sometimes not see at all. Stepping back allows us to examine the causes and effects, what is influencing what and where changes can be made to facilitate growth or opportunity.

By and large we have become good at evaluating events, but at best that can only help you react to them in the future. It does not help generate new learning. At Cheltenham Festivals we were fixated by the sold capacity on each event at the Literature Festival. However, having time to step back and look at the patterns of booking, the schedule of events and sizes of our spaces, we found that we could be more profitable by altering the schedule, booking fewer events, reducing the size of some spaces and removing two venues. Although this felt like a high risk it was based on gathering views, analysing the data and sound financial information. It more than paid off in practice.



Culture eats strategy for breakfast

'Culture eats strategy for breakfast'. Your culture impacts the delivery of your strategy in some way; helping or hindering. We become so adept at fitting in and working with the organisational norms and the best managers use their knowledge to start to change the culture one step at a time.

A culture with openness at the heart of it, a curiosity to find the best outcomes, a level of risk tolerance, and the ability to be agile when needed will enable you to see the underlying structures that are driving the organisations - so that you can identify what is limiting your business, and change it. Creating these conditions (and deploying common tools such as Force Field Analysis) can unlock extra value, see unintended consequences and highlight what to pay attention to.

Open culture & income generation

Let's look at some of the elements that create a culture which allow you to maximise income, and build a vital open culture.

The fundamental underlying principle is that all causes have effects, and that we are all part of the system or the organisation.

Mental models

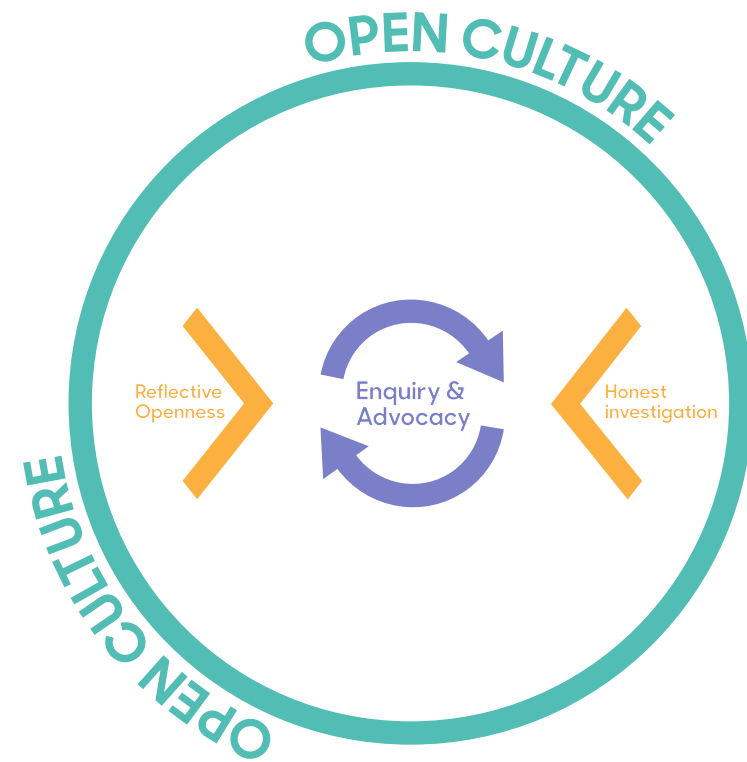
Mental models are how we make sense of the world. We cannot carry an organisation in our head, so we have short cuts to help us. They simplify complexity, shape what we think and the connections and opportunities we see. They help us to decide what is important and what is not, and are often the basis of our conscious and unconscious biases.

How important is earned income at the most senior level in your organisation and what is driving those views?

Everyone has their own mental models, and all have gaps and deficiencies - everyone sees the world differently. The Education Director, Producer or the Licensing Manager are likely to have different models driving their views. In close-knit sectors there can even be predominant mental models e.g. libraries being free. These mental models shape how we act, what we observe and what we ignore.

It is not an issue of whether they are right or wrong, they are all simplifications. It's these mental models that can create those battlegrounds over use of assets, for example.

Decision making can be more productive if we can surface these ways of looking at the world. Helping people to uncover the reasoning that goes on in their heads, underlying their behaviour and dictating their perceptions, can help to get a more



complete view of reality and lift the inevitable bias.

Operating commercially in a library environment, for example, can be very challenging. Libraries have always been free to the public. The mental models of staff in that environment must at times jar with the mental models of a typical commercially-motivated employee. This is a juncture that is still being worked through by many, in order to survive.

Of course, the British Library, whilst admittedly better resourced than smaller regional libraries, is a great role model in how to tastefully and profitably integrate commercial activities with mission-led activities, whilst influencing the library to be

innovative, extend its brand through commercial ideas and make brave decisions. Caroline Brown, the Head of Commercial Services at the British Library, explained to me how she ensures everything that she and her team does needs to take the organisation story and brand further.

There are a few, reflective skills that help open up our mental models:

- Voicing what we are thinking, but do not usually say or ask
- Recognising leaps of abstraction
- Enquiry and advocacy – honest investigation
- Being open about what we say and what we do

I will come on to each of these skills in turn. Raising awareness of them in ourselves and others, and the realisation that we all have gaps in our view and experience, helps us talk more openly with others about the assumptions underlying how we see things. It stops us from getting too comfortable with our own views, and creates an opportunity to generate new thinking by being curious about how others see things. It also develops teams to create a bigger picture and feel supported to ask difficult questions so that they can come up with better options

Most cultures reward those who are proficient at advocating their views, rather than those that enquire and ask difficult questions about strategy or policy. In order to really maximise income, creating a culture where limiting factors and issues can be voiced and discussed more openly with skilful enquiry, will help spot opportunities and draw focus to emerging issues before it's too late.

Honest investigation

Reflection is more commonly thought of as: 'thinking on your feet', or 'keeping your wits about you'. It's the ability to spot when you are making a leap of abstraction; leaping from data to generalisation without testing. Often turning what was once an assumption into a fact.

Reflection involves asking what data the generalisation is based on. Are you willing to consider that the generalisation may be inaccurate or allow yourself to question it? If so, you

can enquire. Enquiry alone is unlikely to lead to any great insight because you are likely to have a view. You may not think it's the only view, or even the right view, but it will influence how you question. To counter this, you need to draw on your advocacy skills. Those skills that have got you to where you are; problem solving, driving your point through and influencing others; all those skills that can hinder you in learning from others.

Bringing advocacy and enquiry together allows those involved to explain their reasoning, what it is based on, and encourage others to explore it - find the gaps, offer different data, conclusions and then actively enquire into others views and how they arrived there. If you make assumptions, you state them and you explore if there is other data that would provide new insight.

In political cultures, this can be difficult as they do not have the openness to find the best argument. In political cultures winning the argument has value. Enquiry needs a culture where there is a willingness to be open about your views, to welcome debate and sometimes to be 'not right'. This curiosity is a must, as well as being able to change your mind.

This type of culture lays the best foundations for developing strategies and plans, and keeping you open to opportunity as well as delivering.

Reflective openness

To really excel, openness is required. Not participative openness, where everybody states their view (put the Post-it Notes away) but little learning takes place; But Reflective openness which requires people to look inward, to challenge their own thinking, to recognise that any certainty we have is at best a hypothesis which is subject to test and improvement. It is about examining our own and other ideas. We do tend to fall in love with our ideas but making room to question before we get too involved can strengthen outcomes. Once we start to invest in our ideas and believe in them in order to influence others to come on board, we neglect the uncertainties in favour of advocacy. Nothing kills openness more than certainty.

An open culture means that management teams need to change to become comfortable with collective enquiry and sometimes uncomfortable questions. Openness is about relationships rather than individuals, people being willing to suspend certainty to gain access to new understanding. I am sure you can think of several capital developments that could have benefited by taking this approach in the development phase.

How often have you been present in a meeting where you filtered what you said to maintain the status quo? Does your organisation create space where people can discuss the more uncomfortable areas or questions? Places where it is acceptable to examine alternative ideas or solutions?

Building an open culture can be one of the highest leverage things you could do.

If you are feeling a little defensive at any point whilst reading this, that it is completely normal. In this approach, I have adopted Systems thinking, which is inclined to evoke defensiveness because it tells us that our actions create our reality, and that we are an integral part of the solution. It implies that responsibility for not achieving maximum earned income lies with your organisation rather than some external influence or force. But it also gives you a route to opening a different way of thinking. Like anything these principles require practice. Happily, for cultural organisations of all shapes and sizes, practice and performance is a familiar routine.

Footnotes

1. The National Gallery, Tate and British Museum had remained free when there had previously been a push to charge in the 1980s to reduce their dependence on Government funding.

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1. <https://www.nesta.org.uk/blog/deals-boundaries-business-lessons/>

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