



# STRENGTHENING THE SECTOR

A business support and development programme for cultural organisations in Belfast

**Social Enterprise Toolkit:**

**Developing a Trading Subsidiary**



**Belfast**  
City Council

# Introduction

This toolkit is designed to complement the “Growing A For Profit Venture – Establishing a Trading Subsidiary” workshop delivered by Maeve Monaghan, Chief Executive of the NOW Group, which supports people with barriers to employment and learning into the workforce. It was named Social Enterprise of the year at 2014 at the Social Enterprise Awards NI and operates two successful social enterprise businesses: Loaf Catering and Gauge NI. Maeve was named Female Social Entrepreneur of the Year 2014.

This toolkit will help you to explore potential trading subsidiaries, which could in turn provide a valuable income stream to your organisation. Alongside a practical developing a trading subsidiary step-by-step guide, this toolkit features an expert interview, glossary and a select list of further reading – from useful case studies to tools and frameworks to help you translate this high level business practice into a helpful model for developing the work and the long term sustainability of your organisation.

# Trading Subsidiary FAQ's

## What is a social enterprise?

A social enterprise is a business that has a social and / or environmental vision as well as commercial objectives. The profits derived from the activities carried out by a social enterprise are reinvested into the community rather than distributed to shareholders. Reinvestment of profits is legally documented in the constitution of a social enterprise – this is known as an “asset lock”.

## Does the social enterprise have to generate income from “socially engaged” activities?

A social enterprise can offer goods and services that are socially engaged for example – art workshops, or entertainment to a commercial client. Generally a social enterprise should help further the mission and vision of your organisation not simply generate revenue for it.

## What is the Social Enterprise Mark?

This is a bit like the Fair Trade logo or the Investors in People Award – it's a universally recognised sign that your work meets an industry standard. To be awarded the Social Enterprise Mark 50% of your profits must be reinvested into socially engaged activities. For further information see [www.socialenterprisemark.org.uk](http://www.socialenterprisemark.org.uk)

## Why should we set up a trading subsidiary?

There are a number of reasons why charitable organisations set up a trading subsidiary, for some it is a way to create a more financially secure future, and create revenue stream that they control. But setting up a trading subsidiary is also a useful way to increase the impact of your organisation and help it to further realise its mission. From providing access to world-class arts to children, or helping artists to develop new products and practices, a commercial business opens up new opportunities to develop audiences, corporate partnerships and clients and allows you to sustainably support work that may have traditionally been supported by government funding.

## What is the appropriate legal status for a trading subsidiary?

There is no one fixed model, and it is best to seek legal and, or business advice to decide on the right model for your organisation. This toolkit will help you to develop a business plan, and identify potential commercial activities that could support the work of your charitable organisation. Once you have identified the goods or services you can offer then you should take the next step and seek legal advice.

## What's the first step in creating a successful trading subsidiary?

Identifying what you can offer, who your target market is and testing out the viability and long term sustainability of your proposed business model with market research and competitor analysis.

# Developing a Trading Subsidiary: A Step-by-Step Guide

## **1. Who you are:**

- Outline your organisations mission and values.
- Outline why your organisation is unique.
- Paint a picture – when was your organisation founded, your legal status, number of staff, where you are based.

## **2. Potential commercial Services:**

- What activities do you currently undertake as a charitable organisation that could be replicated as a commercial service outside of the cultural sector? List all activities you currently carry out and activities you could carry out, for this section don't worry too much about feasibility, this is simply a brainstorming activity.
- Examples might include: art workshops, theatre shows, concerts, training, mentoring, tours, event management, product development, evaluating programmes, writing funding applications, marketing, digital content creation.



### **3. What activities would you like to carry out but can't find funding for – or what gaps in the market have you identified?**

- Examples could be as broad as flexible childcare for artists and actors to artists products from limited edition prints to high end tourist merchandise.

### **4. Target market and financial viability**

- Take all the activities you identified in step 2 and 3 and brainstorm potential markets and business models for each. Are there any activities that sit well together? Could two or three activities form the basis of a social enterprise?

## **5. “Social” Enterprise**

- Take the viable activities outlined in step 4 and examine if these activities fit with the mission and values of your organisation.
- Then examine what the “social” component of the enterprise is.

## **6. Start Up Costs and Actions**

- Create a list of costs and actions that will be necessary to develop your idea into a financially viable business.
- Consider internal and external knowledge – i.e. Marketing and Legal
- Consider staffing resources
- Consider capital expenses

# Expert Insight

[Jim Beirne]

Jim Beirne is Chief Executive of Live Theatre. Founded in the 1970's as a radical theatre company, Live Theatre is a new writing, producing theatre in Newcastle, England

**As chief executive of Live Theatre Jim Beirne began thinking about new business models and income streams before the recession hit, and since then has become the go to person for arts organisations considering new ways of working. From a gastropub to an online education platform Jim has overseen a broad range of new income generating initiatives during his time as Chief Executive of Live Theatre. In this interview he shares some of what he has learnt along the way.**



**“The way I see it is, it comes down to leadership – vision, people and resources. If these are managed properly then you’ll have a successful organisation be it a factory or a theatre.”**

## **Why did you decide to start a trading subsidiary?**

New Theatre moved to a new building and was adding lots of new spaces, we grew in terms of space capacity 2 or 3 times the size of our old space. Our income lines were good, the Arts Council liked us, our box office was doing well, our fundraising was good so we needed to think about alternative sources of income to be able to fund a programme of education and outreach activities to fill our new spaces. We stopped and asked ourselves “what assets do we have?” And came up with three key assets, namely:

- Our people
- Our Building
- Our Intellectual Property

We began having these conversations with our board pre recession, and by the time the recession hit the philosophical foundation had been laid for generating some of our own income. A Sustain grant from the arts council provided the funding needed to get these projects off the ground, Namely:

> A Gastropub – which has a return of £125,000 per year

> [www.beaplaywrite.com](http://www.beaplaywrite.com) - which has a £7,000 - £10,000 return each year

> School House – rental income - £35,000

> A capital development programme is currently being developed – and this will generate significant income.

## **What does earned income offer you that fundraising doesn’t?**

Fundraising is incredibly volatile, and multiple 1,2 or 3 year grants come and go. Corporate partnerships provide access to important networks but the value in these partnerships really is their networks as the money is often quite limited. Earned income provides us with consistency, and this consistency makes us credible as an organisation. By generating our own income we are able to gain more match funding from the likes of The Arts Council. The more successful we as an organisation are, the more funding we attract.





## **What gaps in the market or opportunities do you see for arts organisations thinking about developing a trading subsidiary?**

At a conference recently I noticed a real trend for theatres working with property developers, or indeed becoming developers themselves. When asked who was working with property developers half the room put their hands up. The funding regime has changed drastically. In England since the recession, the biggest change has been the dramatic reductions in local council budgets, which has had a direct impact on arts funding. Theatres are now starting to think about their external relationships differently. Rather than selling a spare piece of land to a developer they are starting to think about building a theatre with a 100 flats above it as an endowment for the future. The trend for thinking differently is there by necessity. Indeed at this conference one of the speakers commented that property is the hardware, and people are the software, you need both to work.

## **How is managing the trading subsidiary components of Live Theatres portfolio different to the core work of Live Theatre?**

It's no different at all. If you're running a really brilliant arts organisation like we are, then it really is no different. The way I see it is, it's my job is to make this part of the city a better place. Our social enterprises help us achieve this, they bring us into contact with a wide range of people from our local community from individuals to businesses and we are stronger as an organisation because of multiple social enterprises. If the arts council gave us another half a million pounds it would make life much easier, but I also know we wouldn't be as strong an organisation if we relied solely on Arts Council funding. I can't put a number on it, but there is an enormous value on the networks and access we have developed through our social enterprise model.

The way I see it, is it comes down to leadership – vision, people and resources. If these are managed properly then you'll have a successful organisation be it a factory or a theatre.

# Trading Subsidiary Glossary

## Dependency

The business model of many arts organisations - dependent organisations rely solely on public sector funding.

## Feasibility study

A feasibility study is used to determine if an earned income or social business model is viable. The aim of this kind of study is to test out potential business models, goods and services with potential clients as a means to gain feedback, understand the market, and therefore create a sound and reasoned business model.

## Not-for-profit

A company that distributes their profits not to shareholders but instead invests them in social or community good.

## Positioning study

A research exercise that helps you to identify potential competitors to your social business with the aim of developing a strategy that differentiates your offer in the minds of clients, customers and stakeholders.

## Social economy

The part of the economy that sits between the private and public sector. It includes a range of organisations such as social enterprises, voluntary organisations, religious bodies and housing associations.

## Surplus

In a social enterprise the profit is often referred to as the “surplus” – this reflects the not-for-profit status of a social enterprise.

## Sustainability

The ability to fund an organisation through a mixed revenue stream, consisting of: earned income, charitable contributions and public sector funding.

## Self sustainability

The ability to fund the work of a charitable organisation through earned income alone.

## Triple Bottom Line

This is a term used to place equal emphasis on the importance of social, environmental and financial objectives.

# Further Reading

“A Business Planning Guide to Developing a Social Enterprise” NatWest, The Royal Bank of Scotland <[http://www.socialenterprisesolutions.co.uk/wp-content/uploads/2011/03/social\\_enterprise\\_business\\_planning\\_guide.pdf](http://www.socialenterprisesolutions.co.uk/wp-content/uploads/2011/03/social_enterprise_business_planning_guide.pdf)> (Accessed on 20<sup>th</sup> March 2015).

“Business Survival Toolkit” Arts Council England, 2011 <<http://business-survival-toolkit.co.uk>> (Accessed on 20<sup>th</sup> March 2015).

“Manual for Developing Social Enterprises” Wrexham Borough Council, <[http://www.wrexham.gov.uk/assets/pdfs/business/se\\_manual/introduction.pdf](http://www.wrexham.gov.uk/assets/pdfs/business/se_manual/introduction.pdf)> (Accessed on 20<sup>th</sup> March 2015).

“New Horizons: Seeking New Opportunities and Growth” Arts Council England, 2011 <[http://www.artscouncil.org.uk/media/uploads/Reshaping-Business\\_Support\\_and\\_Social\\_Enterprise.pdf](http://www.artscouncil.org.uk/media/uploads/Reshaping-Business_Support_and_Social_Enterprise.pdf)> (Accessed on 20<sup>th</sup> March 2015).

“Social Entrepreneurship Toolkit” UnLtd <<https://unltd.org.uk/socialentrepreneurshiptoolkit/>> (Accessed on 20<sup>th</sup> March 2015).

“Starting a Social Enterprise May Not be as Daunting as you Think. Is it For You?” Engaged Renfrewshire <[http://www.sksscotland.co.uk/wp-content/uploads/2012/03/Final\\_Toolkit\\_Brochure.pdf](http://www.sksscotland.co.uk/wp-content/uploads/2012/03/Final_Toolkit_Brochure.pdf)> (Accessed on 20<sup>th</sup> March 2015).

“Support for Social Enterprises” Invest NI <<http://www.investni.com/start-a-business/support-for-social-enterprises.html>> (Accessed on 20<sup>th</sup> March 2015).

“Starting a Social Enterprise” NI Business Info <<https://www.nibusinessinfo.co.uk/content/social-economy-northern-ireland>> (Accessed on 20<sup>th</sup> March 2015).

“Social Enterprise: The Solution for Unemployment in Northern Ireland? The Guardian, 27<sup>th</sup> February 2013 <<http://www.theguardian.com/social-enterprise-network/2013/feb/27/social-enterprise-unemployment>> (Accessed on 20<sup>th</sup> March 2015).

“The Social Economy in Northern Ireland” Queen’s University Belfast <<http://www.ofmdfmni.gov.uk/social-economy-in-northern-ireland-jan-2014.pdf>> (Accessed on 20<sup>th</sup> March 2015).

# Notes:

Toolkit produced by Dr Oonagh Murphy  
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