

## *Mission Money & Models Symposium* *New approaches to financial sustainability in the cultural sector*

### *Improving Organisational Capability*

*What are the key capabilities arts organisations need in order to manage mission-led strategies which are successful in terms of the mission but which are also financially sustainable?*

## **1.0 Introduction**

### **1.1 My background**

To begin I think I should give you some of my background and experience as it is sure one way or another to colour my report. Currently I am a Fellow on the Clore Leadership Programme. Formerly, until 2002, I worked as the director of a rural arts centre in Cornwall. I was the only fulltime employee with a team of 6 part time staff and a board of 10 trustees. I held responsibility for artistic direction and programming, financial direction including budget setting, fundraising, revenue and project, strategic planning & policymaking, project management, personnel management and marketing in addition to being the figurehead, chief liaison and spokesperson. I also led on a £750K capital Lottery project to refurbish and restructure the decaying theatre building. Having departments, or even different posts for different areas of administrative responsibility, was a luxury I never had the opportunity of experiencing. My team dealt with house, technical, box office, and catering. Everything else landed on my desk. Although my circumstances may seem quite extreme I do not recall considering myself unusual or alone in my situation – plenty of my peers worked under similar pressures and constraints.

At that time, and throughout, we were in the position of receiving only 10% core funding; the rest was obtained through projects and earned income. We often found ourselves at crisis point although ‘bail out’ was not an alternative. Like all other venues in Cornwall then we never achieved RFO status, although we tried on many occasions. In such an exposed and vulnerable position as we found ourselves, active networks and partnerships proved vital to our survival (note that I say survival NOT success, I did not consider myself successful although the organisation continued to deliver its mission year upon year). We were founding partners in Cornwall Arts Marketing, Creative Skills Consortium, Cornwall Promoters’ Consortium, and Theatre Cornwall (now The Works: Dance and Theatre Cornwall). As well as much needed moral support, partnerships like these offered the weight and authority that a small organisation like ours could not wield on its own. They also allowed for greater efficiencies and savings through sharing liability as well as resources and ideas.

As you can see my background is entirely at small scale and almost entirely in rural locations. During the course of this study I have taken the opportunity of interviewing people from across a range of arts organisations to compensate for gaps in my own experience, and am glad to say that I have enjoyed full cooperation and support from everyone I approached. (For a list of contributors see Appendix A).

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## **2.0 Initial Questions**

*'what sort of communities are we trying to create, and how should we measure achievement; what are the most effective delivery processes, and who is responsible for these; and finally what skills are needed to make the processes work effectively, and how do we bridge the gap between our current skills base and the skills we want?'*

The Egan Review: Skills for Sustainable Communities

To structure my thoughts I decided to borrow from this opening series of question in the Egan Review and adapt them to my own needs: *What sort of arts organisations are we trying to create and how should we measure achievement? What are the most effective delivery processes and who is responsible for these? What skills are needed to make the processes work effectively and how do we bridge the gap between our current skills base and the skills we want?'*

### **2.1 What sort of arts organisations are we trying to create?**

In reply to this I would say that the answer is in the original question and the subject of my report. We want arts organisations that are BOTH mission-led and financially sustainable. This sounds simple, but what we are actually asking for is a major change in mindset from much of the arts world. I believe that until now being mission-led has been the only measure of success and achievement for many of us. Financial stability might be hoped for but pursuing that as a goal has been considered tantamount to a loss of integrity – selling out. Alongside this is the very real dilemma described by Adrian Ellis *'the arts sector in the United Kingdom is over-extended and undercapitalised, with cultural organisations trying to do more things than they can possibly do well, with both human and financial resources too thinly spread... The result is a hyperactive sector that responds with Pavlovian urgency and enormous ingenuity to the imperatives of funders but that has a decreasing capacity to hear, or at any rate listen to, the voice of mission.'*

So as a sector we find ourselves on the one hand terrified of selling out and losing contact with our mission, while on the other not delivering it anyway because we are so busy just trying to survive. At a recent talk on Fundraising delivered as part of the Clore Leadership Programme, one speaker representing the funding system, when arguing the case against endowments, said that constantly responding to the need to generate revenue funds stimulates creativity – it is good for us. From this I would deduce that it is not only arts organisations which need to review their way of thinking, but arts funders too.

The Egan Review goes on to say that sustainable communities, like successful organisations, have key qualities (see Box A). I believe the same is true in the arts.

#### **Box A: 5 qualities of successful organisations**

1. Clear goals
2. Efficient delivery process
3. Effective systems for constant process improvement
4. Good leaders who can make connections between skills in different professions
5. Staff with the right skills who are focussed as a team on delivering the common goal

*(Egan Review)*

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**2.2 What are the most effective delivery processes and who is responsible for these?**

**2.2.1 Interview findings**

I approached this second question from the perspective of outsourcing – what delivery processes to outsource and what to keep in house, or indeed what other models and practises might exist. I interviewed, either by email, telephone or face to face, 10 people from 10 different organisations (see Appendix) ranging across small scale to large scale, regional to national organisations. I am not quoting directly from any individual participating in this process but rather will use observations and overviews to illustrate my points.

It was the similarity of the responses that I found most notable, given the wide difference in the size and capacity of the sample group. All organisations agreed that their core function was delivery of the artistic product and that therefore responsibility for production and/or programming, and presentation of the artistic product should be kept firmly in house. These included technical functions and house management and maintenance. A number of respondents had experience of outsourcing maintenance work but had found generally that it was not cost-effective and resulted in a lack of consistency/continuity in the workforce which created its own problems, particularly for building-based organisations. Keeping maintenance work in house also enabled faster response times, essential when working with the public. Finances were also considered necessary to keep in house.

Areas most commonly outsourced in these organisations included catering, security, cleaning, and occasionally box office. Some aspects of marketing and fundraising were also considered suitable for outsourcing, although all respondents approached this with caution. Of the organisations interviewed two kept everything in house and two outsourced all activity outside the core artistic delivery. The remainder employed a mixture of outsourcing, in house and partnership delivery processes.

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#### **2.2.2 Outsourcing**

What struck me most was that the arguments put forward by the different organisations to justify the different methodologies were exactly the same – they were all about control; control of brand, of costs and of quality. Apparently there is no right or wrong answer. It depends on your management style and preferences, on your organisations style and capacity and the opportunities available in your environment. I am familiar with the argument for keeping everything in house – this was the position I had been in myself – and I always maintained the belief that audience experience begins from the moment they buy their ticket and spreads through every aspect of the organisation. I believed that to maintain a cohesive brand image and to ensure that value is created at every stage; all functions should be kept in house. On the downside I know from experience that the effect of this could be extremely draining on human as well as financial resources for a small arts organisation.

So what interested me were the organisations which advocated outsourcing. They clearly feel that they have achieved just as much if not greater control over the end product though their methodology. All of them describe long-term close relationships with contractors based on clear communications and well-defined contracts. They acknowledge the mutual benefits of these relationships and the added benefits of specialist skills lending the organisations greater capacity at times of need. This experience is not only enjoyed by the larger organisations such as the Royal Opera House and the Barbican, who employ commercial managers to maintain these positive relationships, but also by very small organisations such as Cornwall Arts Centre Trust, which at its core employs less than 10 people but nonetheless successfully manages multi-million pound projects such as Cornwall Arts Marketing, Creative Skills Consortium, and ArtsMatrix. Traditionally arts organisations have strived to own and manage their own resources but business examples such as Dell and Nokia show us that this is not always the best way of creating value and staying competitive. High performance in an organisation requires focus on the core business functions; the mission and the core processes for delivering that – on this we all agree, but these operations can be supported by long term durable relationships with outsiders to deliver specialised services.

The following box, the contents of which are taken from Accenture (management consultants and outsourcing specialists) show the 5 stages they have identified in high performing companies and the way in which outsourcing can enable focus on core competences to achieve improved performance.

#### **Box B: 5 stages of high performing companies**

1. Master a core competence.
2. Focus relentlessly on innovation and improvement within the core competence, driving down the experience and learning curve as others seek to copy or emulate their entry success.
3. Extend the initial core competence by linking it to other critical market-relevant competencies that, when taken in combination, form a distinct business model.
4. Seek out new market opportunities, using the business model to give themselves a competitive advantage over existing incumbents.
5. Leverage their market position, the distinctive capabilities built into their business models and their high-performance anatomy in a continuously renewing cycle.

*Accenture website*

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### **2.2.3 Clusters**

A third model for managing delivery process is the cluster. business clusters are:

*'...geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standards agencies, and trade associations) in particular fields that compete but also co-operate.'*

Michael Porter, *The Competitive Advantage of Nations*

The principal is to pool resources and band together into networks, clusters, quarters and partnerships. The Clusters Group at the UK's Department of Trade and Industry notes that *'dividends from creative clusters can be enormous in terms of civic image, training and engagement in the economy as well as purely economic terms.'*

In the course of my enquiries I found the beginnings of a Creative Industries Cluster on my doorstep (see Box C) and was fascinated by the possibilities it offered in terms of increased efficiencies in the delivery process.

#### **Box C: Redruth Grammar School creative industries cluster project**

Based in Redruth, Cornwall this project aims to develop a flagship cluster of creative industries businesses and sector specific support agencies. It will act as a magnet for private sector involvement and a focus for developing best business practice in the sector which can be widely disseminated throughout Cornwall and beyond. It will provide a one-stop-shop support service for creative industries throughout the county and, through the quality of the project, will positively affect the profile of the creative industries in Cornwall so as to give them a business advantage in national and international markets. The redeveloped former Grammar School site will provide at least 65 managed workspaces and accommodation for most of Cornwall's key strategic cultural and creative industries projects including Cornwall Arts Marketing, the Creative Skills Consortium and Creative Kernow.

Shared services and facilities will include reception services, telephone answering services, secretarial assistance, high specification computers, photocopiers, meeting rooms and exhibition/sales marketing space, virtual office services and online information and support. These facilities and resources will be readily available to all businesses in the proposed creative industries sector. All the units will be wired for access to high quality broadband.

By grouping together 65+ SMEs along with their support agencies and policy makers the Redruth creative industries cluster effectively concentrates the sector lending it the presence, resources and bargaining power of a large business. However, creative clusters are not just glorified business parks

*'A creative cluster includes non-profit enterprises, cultural institutions, arts venues and individual artists alongside the science park and the media centre. Creative clusters are places to live as well as to work, places where cultural products are consumed as well as made. They are open round the clock, for work and play. They feed on diversity and change and so thrive in busy, multi-cultural urban settings that have their own local distinctiveness but are also connected to the world.'*

Creative Clusters website ([www.creativeclusters.com](http://www.creativeclusters.com))

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#### **2.3 What skills are needed to make the processes work effectively?**

##### **2.3.1 Professional and generic skills**

Borrowing again from the structure of the Egan Review, the occupations involved in delivering our mission-led financially sustainable arts organisations can roughly be divided into three categories:

- *Core occupations* (e.g. artists, curators, performers, technicians, arts managers, fundraisers, marketers, trustees)
- *Associated occupations* (e.g. catering staff, security, consultants, funders, local authority, regional arts boards)
- *The wider public* (e.g. audiences, community groups, schools, media)

Egan differentiates between *professional* and *generic* skills. Professional skills are those specific to the occupation, generic skills are required to varying degrees across all functions (see Box D).

*'We believe that it is the generic skills, behaviour and knowledge that will make the difference'*  
The Egan Review: Skills for Sustainable Communities, p.9

While it is important to invest in professional skills, simply upskilling professionals in isolation is not enough. It is the generic skills such as leadership, creating vision, financial management etc that underpin sustainability and success in organisations.

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#### **Box D: Generic Skills**

*(adapted from the Egan Review)*

**Inclusive Visioning** - Innovative thinking and ability to articulate a vision and get buy in from a wide variety of people. Imagining a future state and simultaneously the implications of getting there.

**Project Management** - Defining project objectives, providing the drive and determination to deliver successful, measurable outcomes. Building a project team and getting them to work towards delivery of a common goal. Using project plans and critical path analysis to assign tasks and timescales, monitor progress and quality of outcomes.

**Leadership in sustainable communities** - Inspiring others at all levels to contribute as much as possible in their roles. Leading change, communicating vision, coaching and mentoring, developing future leaders, dealing with poor performers and poor performance. Enabling inward investment and managing the finances.

**Breakthrough thinking/brokerage** - Creative thinking, making lateral connections, effective networking. Bringing together unusual combinations of people, skills and plans to leverage each component and ending up with much more than the sum of the parts. Brokering, facilitating, and managing deals between very different stakeholders. Thinking outside the box.

**Team/partnership working within and between teams based on a shared sense of purpose** - A genuine desire for the team, collectively, to win. A 'can do' attitude which looks at problems as challenges and opportunities, not risks and threats. The ability to create a networked environment where advice is sought and readily given, coaching is rewarded, and teams are created with the right skills, as well as the right paper qualifications.

**Making it happen given constraints** - Providing energy and focusing resources to ensure objectives are reached. Understanding and being realistic about constraints, but not accepting artificial barriers. Challenging unrealistic targets or timescales.

**Process Management/Change Management** - Making sure that processes are managed and continuously improved. Understanding the processes, and how to improve them. Embracing change enthusiastically and working to drive out unnecessary processes or find process improvements.

**Financial management and appraisal** - Ensuring that financial, social and environmental costs are fully understood. Ability to create and manage a business plan and associated contracts. Understanding risk/reward approaches for all stakeholders. Being able to appraise business cases, proposals and contracts in order to make sound financial decisions. Understanding where finance for sustainable organisations comes from, how to attract it, and how to construct a business case for long term sustainability and prosperity of an organisation.

**Stakeholder management** - Communicating and building relationships with and between relevant stakeholders, understanding their relative impact and importance. Knowing that stakeholder groups change all the time, so keeping pace with the new ones. Being able to bring key people and groups with you to retain critical mass support for the vision and to solve the problems.

**Analysis, decision making, learning from mistakes, evaluation** - Ensuring decisions are taken in light of available facts and using relevant past experience. Being able to identify trends and make decisions based on them. Analysing data to determine appropriate evidence to support decisions.

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Encouraging informed risk taking, and not penalising failure where people are genuinely trying to do the right thing. Sharing examples of where projects have not worked out, and learning the lessons so they can be applied positively in new situations. Coaching and mentoring to grow the overall skills of an organisation, rather than just those of yourself or your immediate team.

**Communication** - Being able to communicate in diverse ways to a wide range of professionals, the general public, the media, local schools, politicians, and business people. Communicating vision, understanding how to manage information (the right message to the right people using the right media, then do it again), manage misinformation, rumour and gossip. Anticipating.

**Conflict resolution** - Understanding the dynamics of conflict and how to achieve mutual agreement. Demonstrating the ethics of good practice, including respect for all parties, tolerance of different people and perspectives, confidentiality and the importance of honesty. Listening actively to others, and working to formulate options and solutions.

**Customer Awareness and how to secure feedback** - Being able to identify customers (citizens), to engage in dialogue with them, and build enduring relationships. Ensuring everyone in your organisation sees it as their responsibility to meet customer needs. Establishing customer priorities and concerns by communicating in a way that appeals to them so that feedback is genuine.

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### **3.0 Conclusions and recommendations**

As stated in point 2.0 we first need to change our mindset but not just at management level, throughout the organisation and also that of the funding bodies and of our boards and trustees. We need to embrace the concept of financial sustainability as a measure of success alongside mission focus, and respond energetically to the pressures presented by standstill funding and the implications of declining levels of revenue funding available from statutory sources. This is not to let the statutory bodies off the hook. They too have a vital part to play in underpinning these new models for working.

- We must allow for changes in the language used in and around arts organisations. Entrepreneur, enterprise, and profit-making activity need to be permissible terms within the arts and funding circles.
- Funders need to begin investing in seeding enterprising activity as well as purely artistic activity in arts organisations to allow in the future for increased independence through new income channels of earned profits.
- Arts organisations at small and medium scale must look to appointing Development Officers in their core team to coordinate fundraising from private/individual/corporate sources. These posts may well sit with marketing, as many of the skills of relationship building are clearly shared. Statutory bodies will need to be involved in project funding these posts initially. Posts may well be shared effectively through partnerships and clusters
- Organisations need to Invest in upskilling professional whilst simultaneously identifying gaps in generic skills across the sector. The limited time available to me on this study has made it impossible to address the question of skills gaps - how we bridge the gap between our current skills base and the skills we want? However it is an area which would benefit from further research and discussion.
- We need to develop cross-functional understanding of competencies such as fundraising and marketing and the integral role of development in securing an organisation's future. Agencies such as A&B can contribute to this process by targeting not only the development officers in arts organisations but also encouraging and enabling programmes that disseminate these generic skills across functions.
- We need to open up to and initiate new strategic partnerships and clusters that will enable greater organisational capacity and efficiency
- We should develop and encourage entrepreneurial thinking throughout our organisations as a way to generate new income strands in accord with the mission and understood by everyone in the organisation for its important contribution to long term future stability.
- Review our board membership and train/induct board members to understand and own the new mindset. They should become active in facilitating fundraising and encouraging earned income ventures as well as enabling and understanding the importance to long-term stability of reserves and endowments.

As a final personal note, and because of my background and previous experience of struggling to keep abreast of the latest arts management trends, I would request that whatever conclusions we collectively reach from the series of discussions that is *Money Mission Models* we think very carefully about how we disseminate the information and recommendations so that it reaches everyone that needs it, in spite of size or location, in a relevant, practical and actionable form.

*Julia Twomlow, 14 January 2005*

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**Appendix**

***List of Interviewees:***

Karen Whitehouse, South Bank Centre  
Ruth Jarret, Royal Opera House  
Ross Williams, Cornwall Arts Centre Trust  
Tim Brinkman, Hall for Cornwall  
Andrea Nixon, Tate  
Mark Taylor, The Barbican Centre  
Kevin Brownridge, Perfect Moment Consultancy  
Tom Andrews, Clore Fellow, formerly at Music for Change  
Sara Robinson, Clore Fellow, formerly at Ludlow Assembly Rooms  
Susanna Eastburn, Clore Fellow, Huddersfield Contemporary Music Festival

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