Business models in the visual arts:

an investigation of organisational business models for the Turning Point Network and Arts Council England

Susan J. Royce
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Executive summary

This report was commissioned by Arts Council England and the Turning Point Network to assist members of the network in reviewing and strengthening their own business models. Its focus is thus on organisations and not individuals. It is predicated on the belief that sound business models are a necessary component in a healthy visual arts ecology and essential for most publicly funded organisations.

Inevitably, the primary focus of this report is on what could and needs to change rather than what is working well.

There is a widespread belief that many business models within the visual arts sector are relatively weak and particularly vulnerable to reductions in funding. This belief is broadly supported by the available research. Most visual arts organisations are under-capitalised and have reserves that are too small both to support investment and growth and to protect the organisation in times of crisis. Organisational assets (staff, buildings, brand and IP [intellectual property]) are not always fully exploited. The absence of substantial ticketed income means that increased activity almost always converts into increased costs and visitors remain a relatively unexploited source of further income.

In comparison with performing arts organisations, the business models of building-based organisations are often inflexible. Many organisations have not been able to set aside the necessary funds for repairs and renewals of new lottery-funded buildings. Fundraising remains challenging for all but a few of the larger, London-based organisations.

Within visual arts the sector there is only a limited understanding of what a business model is and does; in part this reflects the generally low level of business skills within the sector. There is, however, a good consensus around what a good business model should look like – the challenge appears to be translating that general agreement into concrete action.

The key obstacles to building better models appear to centre on
• aspects of the culture of the visual arts world
• the practical implications of free entry
• funder tolerance of underperformance

The culture of the contemporary art world has a strong individualistic flavour and a traditional ambivalence towards, if not rejection of, the values of the economic world. From a purely business perspective this is problematic: business is a collective endeavour and it is hard to be good at something that you do not value or possibly understand.

Free entry is a great blessing but does present business challenges. Customers do not automatically translate into revenues, let alone contribution to overheads or surpluses, so increased activity usually leads to higher costs. Income-generation efforts must focus on challenge of exploiting 'secondary' income opportunities, such as catering, retail and individual giving. Programming can only easily affect costs not revenues. Without large ticket incomes to manage, many organisations do not or cannot invest in staff with business skills.

For understandable reasons, funders find it difficult to tackle underperformance in funded organisations and are generally slow to 'call time' on failing organisations. This often mutes or removes completely the sense of urgency that is necessary to get difficult change started.

This report offers several recommendations for change for individual organisations, funders and the network designed to strengthen the business models of network members (see Concluding thoughts).

In summary I would suggest the following.

- Visual arts organisations need to consider and debate the impact of their discomfort with 'business' and the 'economy' upon their own sustainability.
- Funding bodies need to become less tolerant of underperformance and more willing to challenge failing organisations.
- The development of business skills should be a priority for organisations and funders.
- Greater efforts need to be made to value, invest in and exploit organisational assets (people, buildings, brand and intellectual property).
- Organisations need to get much closer to their audiences, with a view to attracting more resources via secondary spend, individual giving, advocacy and volunteering.
- Businesses in the sector need to rethink their support operations to cut costs and/or secure better services, that is, to improve their productivity. This could include:
  - shared services, joint procurement and outsourcing
  - using digital technologies to automate business processes
  - making greater use of volunteers in an appropriate and strategic manner

The visual arts are a vibrant, creative and exciting sector that has grown substantially in recent years. The challenge for the sector is to focus its energy and creativity into building better businesses as well as delivering great art for everyone.

Introduction

This report was commissioned in direct response to a request from the Turning Point Network for support and assistance in the challenges of developing and maintaining sustainable business models within the visual arts sector. It was commissioned before the current government came to power and the current round of public funding cuts had begun. Those cuts have lent a certain 'piquancy' to the issues debated here but have not, I believe, changed the fundamental nature of the environment with which arts organisations will need to grapple in the next decade.

Changing demographics (a growing, increasingly diverse, urbanised and ageing population), the disruptive impact of new digital technologies, radical shifts in employment patterns and the impending resumption of India and China's historic role as major economic world powers are only some of the changes with which all organisations will need not only to cope with but benefit from if they are to be successful.

This report is the first stage of a two-stage project, whose brief is to

'To develop research materials and events that will explore what sustainable business models look like in the visual arts.

The project will deliver Turning Point recommendations on improving the sustainability of the visual arts sector in the long term. The case studies, research recommendations and events provide guidance to visual arts organisations on how to become more robust in the face of recessions and changes to public sector spending.

It will directly address Goal 5 in the emergent National Arts Strategy being developed by Arts Council England: "the arts sector is sustainable, resilient and innovative".'

The purpose of the report is to inform and engage; while being evidence-based it will be relatively informal, short and visually attractive.

The report addresses three key questions:

- What should a sustainable business model look like in the context of the publicly funded visual arts sector in England?
- How good are the current models?
- How could visual arts organisations develop better business models?

It addresses these questions from the perspective of strategy, rather than vision. There is a tendency within the arts sector to focus most energy on vision/policy and operational delivery, while skipping over the need for a clear strategy to link the two. Strategy is difficult – it involves making hard choices and often sacrificing something 'in the now' for something two years' hence, but it is at the core of building successful business models.

This work draws on a number of sources:

- conversations with leaders, managers and consultants within the visual arts and wider arts sectors (see Appendix B: contributors)
- publicly available information on visual arts organisations, such as websites, Charity Commission (see Appendix C: organisations reviewed)
- annual return and Sustain application information made available to the author by Arts Council England
- published works on business, the creative industries and arts policy (see Appendix A: bibliography)
- blogs on the arts, public and arts policy and creativity (see Appendix D: interesting and blogs)
- my own experiences within the sector as a finance and change consultant including work on the Arts Council's Stabilisation, Recovery, Sustain and Thrive programmes

This report could not have been written without the support and generosity of all of those who gave freely of their time and ideas; I would like to record my thanks for their input as well as stating that the opinions given here, and any mistakes, are entirely my own.

I would really welcome feedback on the ideas set out in this report. You can contact me via my blog on the Turning Point site (http://turningpointnetwork.squarespace.com/journal/) or by email (susanjroyce@gmail.com).

What is a sustainable visual arts business model?

This section seeks to establish a working definition and to offer a model that grounds this definition in reality.

What is a business model?

A great deal has been written about business models in the commercial world, a little about not-for-profits and very little about business models in the publicly funded art world (see Appendix A: bibliography). This section seeks to take the best of this thinking and apply it to the very particular circumstances of most of Turning Point members, namely a not-for-profit, publicly funded organisation working in the visual arts sector.

First, a business model is much more than the financial transactions undertaken by an organisation and recorded in its management accounts and financial statements. It 'describes the rationale of how an organisation creates, delivers and captures value', *Business Model Generation* (Osterwalder and Pigneur, 2010, p14).

Two leading business academics, Kaplan and Norton, identified four key perspectives from which a business needs to consider its operating model and performance:

- learning and growth
- internal business processes
- the customer
- the financial

They reworked their model for the not-for-profit and public sectors, as illustrated below.

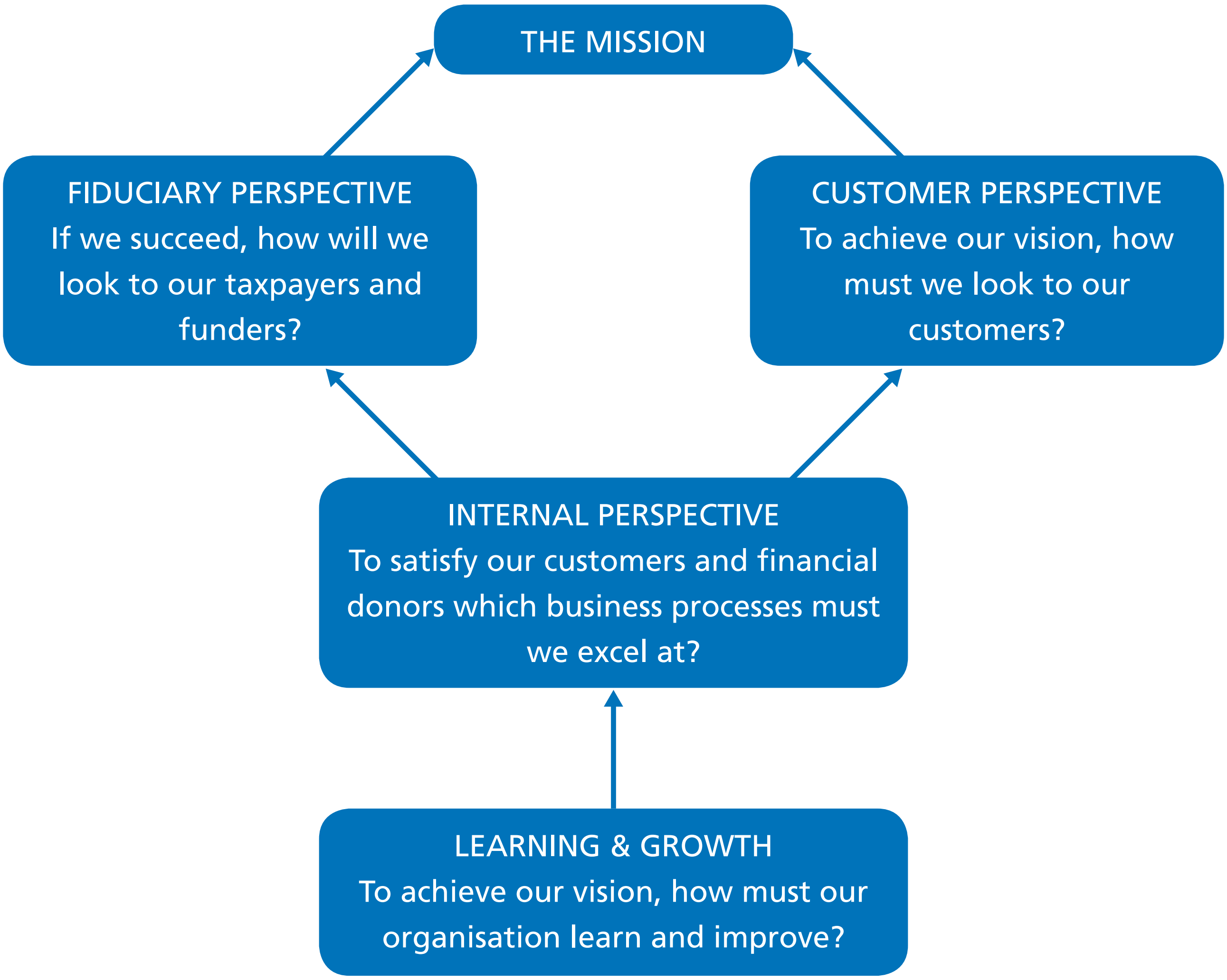

Figure 1, Strategy map, *Strategy Maps* (Kaplan and Norton, 2004)

The mission is paramount – it should shape how the whole organisation works because the organisation exists to deliver the mission.

To the understanding that a business model is a model of the whole organisation – its culture, organisational structure, offering to customers (the customer value proposition), relationship with suppliers, systems and processes – we need to add an appreciation of the impact of being a not-for-profit organisation. As Jim Collins writes:

'The confusion between inputs and outputs stems from one of the primary differences between business and the social sectors. In business, money is both an input (a resource

for achieving greatness) and an output (a measure of greatness). In the social sectors, money is only an input, and not a measure of greatness.'
– Collins
Good to Great and the Social Sectors (Collins, 2006, p5)

For members of the Turning Point group, the non-financial resources and intangible assets they use in their work are at least as important as the cash passing through the accounting systems. These could include

- volunteers, such as interns and board members, whose contribution is unpaid but vital
- personal and corporate networks, which the organisation and its staff use to generate and source good ideas and find partners to collaborate with
- the 'brands' of both the organisation and its key players.

These are key business assets, requiring and rewarding good management in just the same way as the cash assets recorded in the accounting systems.

Thus a business model in this sector is a description of how an organisation attracts and deploys its resources to fulfil its mission. The following two models can help people within organisations to think about how to do this well.

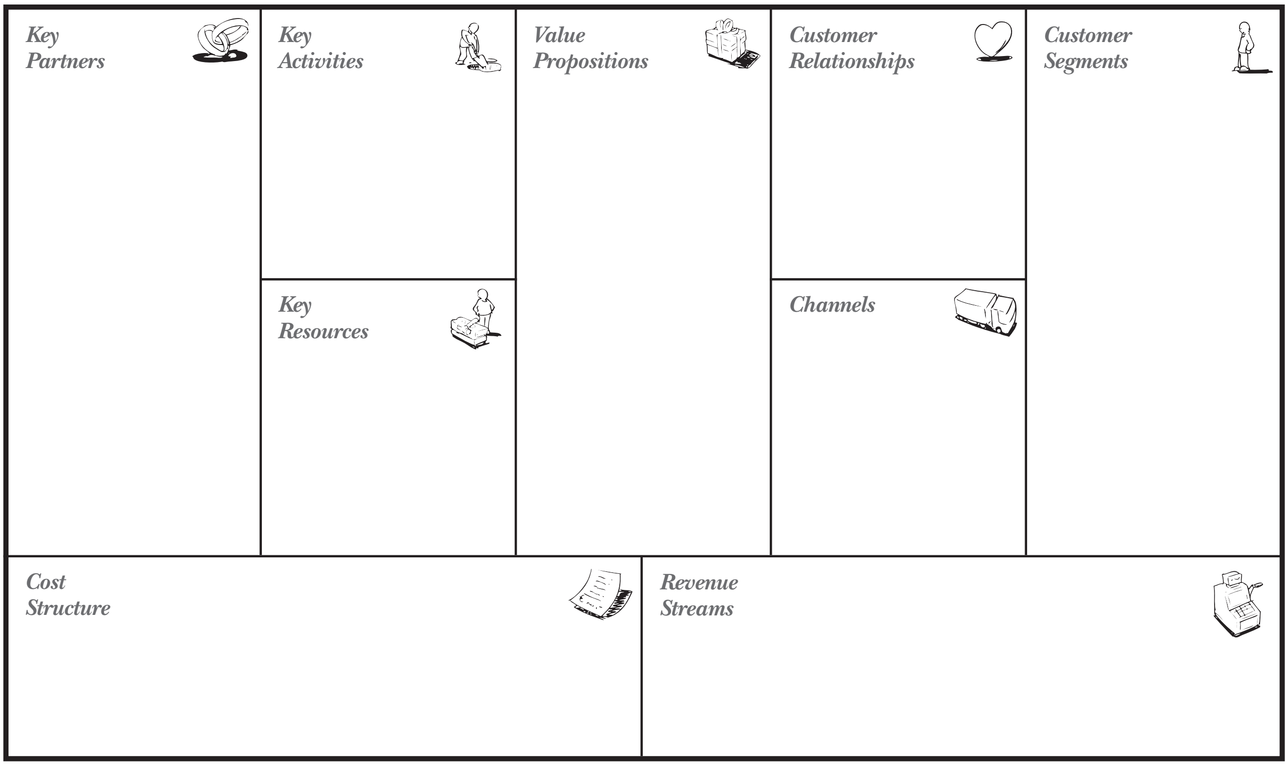

Figure 2, *Business Model Generation* (Osterwalder and Pigneur, 2010)

The first model is the business model canvas,[1] which is illustrated in summary form above. This provides an excellent way of summarising an organisation's business model on one, albeit large, sheet of paper. At the core of the model are the value propositions that the organisation offers its customers, to the left are the key elements which determine efficiency, while those to the right concern value creation. These relationships and activities find their financial expression in the organisation's cost structure and revenue streams.

Secondly, the strategy tree ties links together mission, vision and values with strategy and execution, as set out below allowing an organisation to project its model into the future. Any planning exercise should start at the top of the tree and work down, with as much iteration as necessary.

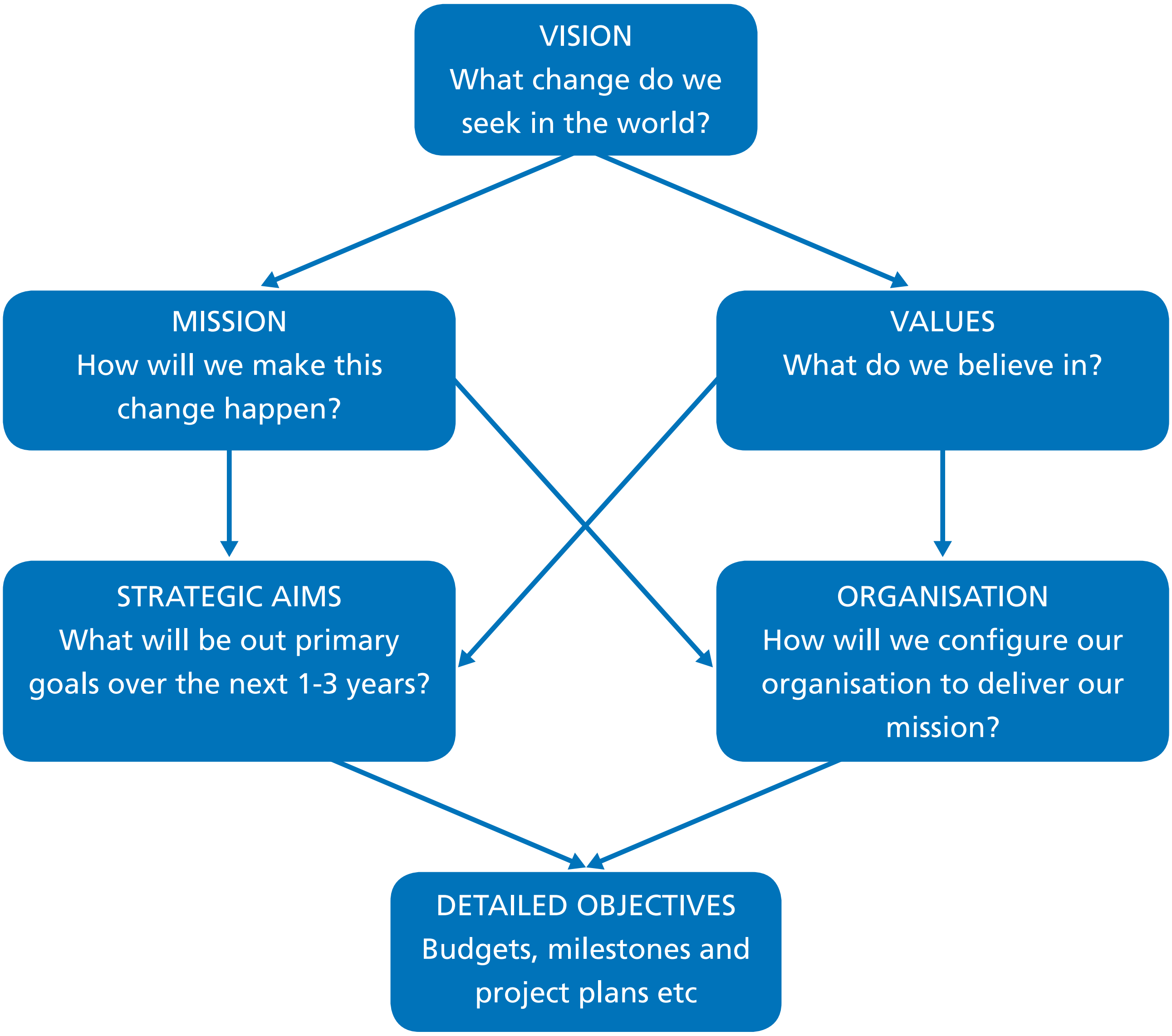

Figure 3 Strategy tree

1 See http://www.businessmodelgeneration.com/

Why and when does having a good business model matter?

Great art can, and is, created by individuals and organisations with weak business models and a strong business model is no guarantee of artistic excellence. However, robust models are a prerequisite for

- longevity
- sustained audience engagement
- successful stewardship of a publicly funded building.

Longevity is not, or should not be, an end in itself. But, if an organisation's leaders wish to see their ambitions realised beyond the short term, good business models are, at the very least, of great assistance. They help organisations ride out the shocks of changes in the external or internal environment and provide comfort and encouragement to potential funders, supporters and partners.

Successful audience development requires a sustained commitment over a number of years, which in turn, requires planning and degree of financial certainty regarding future investment.

Many, if not most, publicly funded buildings occupied by visual arts organisations have full repairing leases (leases stating that the occupiers, not the landlord, are obliged to maintain the interior and exterior of the building at their own cost). To maintain the building in an acceptable condition and meet the lease obligations, organisations need to plan and set aside funds to meet periodic and substantial costs. Occupiers can no longer assume that public funds will be available to meet these costs.

You can make great work without great business models but you cannot keep doing it for very long, especially if you occupy a good-sized building.

What do we mean by sustainable?

Business researchers are as fond of jargon as the contemporary art world, with buzzwords coming and going like hemlines.

Until recently 'sustainability' was popular shorthand for describing successful business models that were capable of keeping their organisations in business beyond the short term. Growing interest in evolutionary biology, and possibly the recent Darwin anniversary, has seen the growing advocacy of 'resilience' as the desirable trait. I have a problem with both expressions.

Sustainability is now strongly linked with issues of environmental impact; it is also 'stodgy' and pretty unexciting. The concept suggests that sustainability is a state to be achieved and clung onto whereas, in truth, successful value creation happens at the interface between the organisation and the outside world; success is fluid, fleeting and elusive. It is, to borrow an expression from Peter Senge of Learning Organisation fame, a 'dance'. Organisational ambitions, culture and processes act with and in the external world to deliver value (or not).

Partly in response to a growing awareness of just how fast the world is changing, 'resilience' has become more fashionable; for example Mark Robinson's recent work *Making adaptive resilience real* (Robinson, 2010). There are many definitions of resilience – see Jackson (2010) – but one of the best and simplest comes from IBM.

> 'Business resilience is the ability to rapidly adapt and respond to risks, as well as opportunities, to maintain continuous business operations, be a more trusted partner, and enable growth.'
> Source: http://www-935.ibm.com/services/us/bcrs/html/resilience.html

My concerns about resilience are both theoretical and practical. First, resilience comes from systems theory and evolutionary biology and, as such, has much that is of value to say about resilient systems and ecologies but rather less about how individual components/organisms might function. Secondly, I think we are in danger of 'over-complicating' the issues we face by giving them 'sexy' sounding names; at the risk of incurring the ire of business school professors, good business modelling is not rocket science!

I believe that we need to focus on models that work and what makes them work – we can call them successful, strong, robust, sustainable or resilient – what matters is that they deliver on their core purpose. To do this an organisation must

- design itself to deliver its mission and vision to a standard that is acceptable both to itself and to those who invest in it (funders, visitors, donors and fellow artists and organisations)
- be capable of innovating and investing in its own future development
- have sufficient resources that it can survive a short-term shock without being immediately plunged into an insolvency crisis.

A strong business model for the publicly funded visual arts

Interestingly, there is a broad consensus among those I spoke with and in the literature as to the characteristics of a good arts business model. For example, the table below compares the traits identified by Mark Robinson in his recent work and those identified in the Arts Council's

Thrive programme. These are compatible with the more detailed 'What success looks like' statements offered in the Arts Council's Self evaluation framework (see http://www.artscouncil.org.uk/selfevaluation)

Making adaptive resilience real (2010)	Arts Council Organisational Development (OD) Thrive
Resources • Culture of shared purpose and values rooted in organisational memory • Predictable financial resources derived from a robust business model • Strong networks (internal/external) • Intellectual, human and physical assets **Adaptive skills** • Leadership, management and governance • Adaptive capacity: innovation and experimentation embedded in reflective practice • Situation awareness of environment and performance • Management of key vulnerabilities: planning and preparation for disruption	• A strong future vision which is clearly articulated and through mission and values • Artistic excellence and the capacity to take artistic risks • A commitment to learning and development to enable the organisation to be flexible and adaptable • Financial viability (including positive balance sheets and a range of income streams) • Sound managerial systems and human resource practices • Good leadership and clear governance • A sound knowledge of present and future audiences, participants and customers • Strong networks and good relationships with stakeholders, customers and suppliers

Table 1, Characteristics of strong arts businesses, *Making adaptive resilience real* (Robinson, 2010) and *The change works* (Arts Council England, 2007)

Drawing on these and other authors, I would like to propose a simple model as a way of thinking about the challenges of putting together the components of a potentially successful business model for members of the Turning Point Network.

I believe that an organisation needs to exhibit three key characteristics to be successful beyond the short term.

- It must be **attractive** to a range of co-investors (funders, donors, customers/visitors, staff, artists and other art organisations).
- It must be **agile**: able to innovate and both to initiate and respond to change, in strategic and thoughtful fashion.
- It must be **able** to achieve its goals and to execute its strategy in cost-efficient and effective ways.

It must also be **well-led, well-managed** and have a strong and appropriate **organisational culture**, which aligns and supports its mission and values.

Each of these themes is developed further below.

The Triple A model

> 'We confidently expected that in the first year we'd get three million visitors and then it would drop back to two million, which was the sort of number that one found at [Paris's] Pompidou or at the Tate as it was. So to have five million in the first year, and then to see it drop to four, and then build back to five, as it now is, is an astonishing record for Tate Modern. It comes I think from the building, and it comes from the way in which the art has been shown. And it has, as you say, become an institution that people regard as very approachable.'
> – Nick Serota, Director, Tate
> Interview with Simon Schama (*Financial Times*, 30 April 2010)

Attractiveness matters because:

- A portfolio of supporters willing to contribute money, time and reputation is essential to mission delivery, both from a financial and a practical viewpoint. Resources are needed to finance the costs of delivery and partners are needed to make projects happen.
- A diverse range of co-investors reduces an organisation's vulnerability to the reduction or withdrawal of funding.
- Visual arts organisations are 'people businesses' – they need to attract and retain good people at both staff and board level but can rarely offer them substantial financial rewards.

Attractiveness is achieved by

- a clear, compelling and attractive vision together with congruent and lived values
- a strong brand
- clear value propositions for funders, audiences and partners, including a willingness to demonstrate impact
- transparent, honest and appropriate communications, internally and externally
- strong governance and leadership

'According to Darwin's Origin of Species, it is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself.'
– Megginson paraphrasing Charles Darwin
'Lessons from Europe for American Business' (Megginson in *Southwestern Social Science Quarterly,* 1963, p4)

Agility matters because:

- The next decade is likely to see significantly greater changes in the UK cultural landscape than the last one and some of those changes will not be welcomed by many cultural organisations.
- Most network members are 'price takers' not 'weather makers': they have a limited ability to control the environments within which they operate. They must therefore have the capacity to respond to change when it happens.
- Agility and innovation are very closely linked; the ability to innovate, to find opportunity in change and to invent new models of delivery is a key skill for all arts businesses.

Agility is built and sustained by:

- a relentless future focus – horizon-scanning and opportunity identification
- effective and timely decision-making, delegated to the lowest possible level
- a rejection of silo working
- provision for investment in innovation and people development
- flexible cost structures that minimise fixed costs
- strong financial management and high-quality financial information
- reserve levels that permit risktaking and facilitate investment

'Ideas are easy. It's the execution of ideas that really separates the sheep from the goats.'
– Sue Grafton
Source: http://www.suegrafton.com/qanda.htm

Ability to achieve matters because:

- Resources are scarce – successful organisations are those which use the resources that they have to greatest effect.
- Being able to demonstrate 'value for money' and impact is a source of competitive advantage, particularly in times of increasing competition for funding (for example, see Brookes, Kail, and Thomas, 2010; Heady, 2010 and Leighton and Wood, 2010).
- 'Repeat business' is highly dependent on getting delivery right the first time.
- It builds confidence among all stakeholders including staff.

The **ability to deliver** comes from:

- commitment to delivery from the top down
- robust strategy, which has been clearly communicated throughout the organisation
- people with appropriate skills
- good project management processes
- robust knowledge management systems
- strong performance management

Good leadership and management are essential to the establishment and maintenance of these traits. I like John Kotter's definition of the difference between leadership and management (Kotter,1996) – see below.

Leadership is shared between board and senior staff, while management rests solely with the staff team unless the organisation is very small and the board is very 'hands on'.

Leadership is	Management is
• Establishing direction • Aligning people • Motivating and inspiring • Produces change, often to a dramatic degree, and has potential to produce extremely useful change	• Planning and budgeting • Organising and staffing • Controlling and problem solving • Produces a degree of predictability and order and has potential to produce consistently the short-term results expected by stakeholders

Table 2, Leadership and management compared, *Leading Change* (Kotter, 1996)

Or put very simply

> 'Management is doing things right; leadership is doing the right things.'
> – Peter Drucker
> *The Practice of Management* (Drucker, 1955)

The development of leadership and leaders within the sector has received considerable attention and funding in the past decade, via organisations and initiatives such as the Cultural Leadership Programme and the Clore Leadership Programme, but the development of competent managers – an easier but less 'sexy area – has not. We have a sector full of very creative, intelligent, enthusiastic, self-motivated and highly qualified individuals who, all too often, do not have the skills they need to be efficient and effective.

'Efficiency is doing things right; effectiveness is doing the right things.'
– Peter Drucker
The Effective Executive (Drucker, 2005)

Good leaders develop and nurture a strong and appropriate organisational culture. I am using Edgar Schein's definition of organisational culture as:

'A pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, is to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.'
Organisational Culture and Leadership (Schein, 2010, p18)

We know what good business models would look like – how do the current ones compare?

How good are the current models?

There is a widespread consensus that many business models within the publicly-funded visual arts sector are relatively weak and particularly vulnerable to modest changes in funding.

This section considers why this might be the case and to what extent it is true from three perspectives:

- some of the business challenges inherent in the culture and modes of operation of the sector generally
- a consideration of the variety of business models within the sector and their challenges
- a snapshot of the 2008/2009 Arts Council England annual return data

Some systemic challenges

This subsection addresses some systemic issues that present significant challenges to the establishment and maintenance of strong business models within this sector.

The culture of the visual arts

There are two aspects of the culture of the visual arts sector as a whole which somewhat operate against the establishment of successful businesses. I do not mean to suggest that either trait is universal or dominant but both are present, pervasive and impact on performance.

First, drawing on the paradigm of the solitary artist working in their studio, there is a strong streak of individualism in the visual arts. This does not make for effective teamwork or for a willingness to learn from others.

Strong teams are central to modern business practice but the principles are poorly understood and not commonly implemented in visual arts organisations. Processes are designed from scratch without considering whether others might have undertaken similar work before and that their example can be learnt from. Knowledge management is poor, relying on individual recollection and generosity instead of being embedded through culture and process; 're-inventing the wheel' is a common pastime. These practices may well make for rewarding jobs for individuals, and offer some compensation for low rates of pay and poor career prospects, but they do represent a waste of resources in financial terms.

Secondly, there is a strong current within visual arts thinking, which Bourdieu christened 'the disavowal of the economy'.

> 'The art business, a trade in things that have no price, belongs to the class of practices in which the logic of the pre-capitalist economy lives on (as it does, in another sphere, in the economy of exchanges between the generations). These practices, functioning as practical negations, can only work by pretending not to be doing what they are doing.'
> – Bourdieu
> 'The production of belief: contribution to an economy of symbolic goods' (Bordieu in *Media Culture Society*, 1980, p261)

Put simply, it is hard to work at building a successful business model while denying that it is what you are doing or that it has value as an activity.

Attitude towards failure

As a general rule, the arts funding system finds it hard to allow failing organisations to fail. Concerns over losing the value of past public investment and political fallout, coupled with a commendable desire to give a failing organisation every chance to turn itself around, combine to produce a profound reluctance to walk away until every single avenue has been explored.

This reluctance produces, to borrow a phrase from the recent banking crisis, moral hazard. Organisations are not incentivised to focus on sustainability in the good times or to take rapid and appropriate action in the bad times, if they believe that the funding system will, in the end, bail them out.

Free entry

Unlike other arts venues, most galleries and similar organisations do not charge for entry. This creates a number of challenges for visual arts organisations.

First, in a financial sense, visual arts organisations are rather more like public sector bodies (such as the NHS) than they are like other arts venues. As 'services are free at the point of delivery' their business models are missing a key component: substantial sales income related to their core activity. It is very hard for such organisations to prevent increased delivery having a negative financial impact as more activity translates into more costs with little additional income to offset the rise in costs.

In addition, such models, especially when coupled with large overhead costs, are very inflexible, with modest cuts in revenue having a disproportionate impact on the resources available for the programme. In effect, the 'break even' point for such organisations is set very high. This was very apparent in a review of all 42 visual arts Sustain applications received by Arts Council England. All but two claimed that declining income, in several cases at quite modest levels, was endangering the delivery of significant elements of their planned programme. (The two who did not cite falling income as a major issue were involved in major capital projects that had encountered difficulties.)

Secondly, in the absence of a major commercial income stream to manage, there has been relatively little incentive (and few resources) to develop in-house business and financial skills at both strategic and operational levels. Many managers in charge of financial strategy and control have little or no financial training. Financial reporting is sometimes basic at best. Too few organisations prepare meaningful strategic or business plans. A review of the Sustain applications revealed that only 12 organisations showed evidence of some understanding of their own business model and of the impact that the banking crisis and resulting recession had had upon their business.

Lastly, visual arts organisations have had little incentive or, in some cases, interest in collecting good audience data and in developing relationships with their audiences. There are hopeful signs that this is changing, for example the joint audience development project being developed Turning Point SE and Audiences South. However, the absence of good customer information is a serious obstacle to building better business models; a key component of most sustainability strategies should be closer engagement with and commercial 'exploitation of' at least some audience segments.

A multiplicity of business models

There are multiple lenses through which it is helpful to consider business models within this sector; three are offered here:

- activity and investment models
- the Henley Matrix
- in comparison with the performing arts 'paradigm'

There is also a consideration of start-ups and agencies as special cases with particular challenges.

Activity and investment models

This insight comes from Mark Robinson's work in which he writes that:

'This greater clarity about 'building' or 'buying' is much needed on all sides of the 'funding' equation if we are to use available money well. Does an organisation actively use its assets to create new revenue to create fresh assets, for instance – or does it do whatever activity funding enables? (All talk of alternative business models seems to boil down to this binary – the rest is technical info and risk assessment.)'
Making adaptive resilience real (Robinson, 2010, p7)

While not agreeing that this 'binary' is the only lens I would use it is a useful one that I have expanded on below.

Programme model	Investment model
• Cash in => activity out. Focus on programme delivery • Minimal investment in non-programme areas • Inherently vulnerable to changes in funder resources and priorities • Work largely within an 'arts space' talking to other 'arts professionals' • Change usually only possible at an incremental level, for example, better fundraising • Relatively straightforward model to run • Majority of the portfolio	• Co-investors (funders, audiences, artists and other organisations) work with the organisation to develop new assets (tangible and intangible) • Investment in people and innovation • Focus on ideas/artist development etc. as well as programme delivery • Permeable – working inside and outside the arts • Step or transformational change model – game changers • Really hard to make it work • Examples of organising pioneering this route: Watershed, Bow Arts Trust, Wysing, BCA, folly

Table 3, Programme and investment models

Most organisations would fit into the programme model with relatively few seeking to pursue the much more challenging route. A healthy ecology needs many programme-focused organisations and a few 'game changers' but the models of the programme-focused organisations are likely to remain weaker than those who 'make it' as 'game changers'.

The Henley Matrix

Another useful way of placing organisations into a manageable framework is to use the matrix devised by the Henley Centre for Arts Council England as part of its 21st-century organisation programme (Curry and Gunn, 2005) that maps engagement (community =>

individual) against assets (knowledge => fixed). Clearly not all organisations fit neatly into the quadrants but the model is a useful approximation of reality.

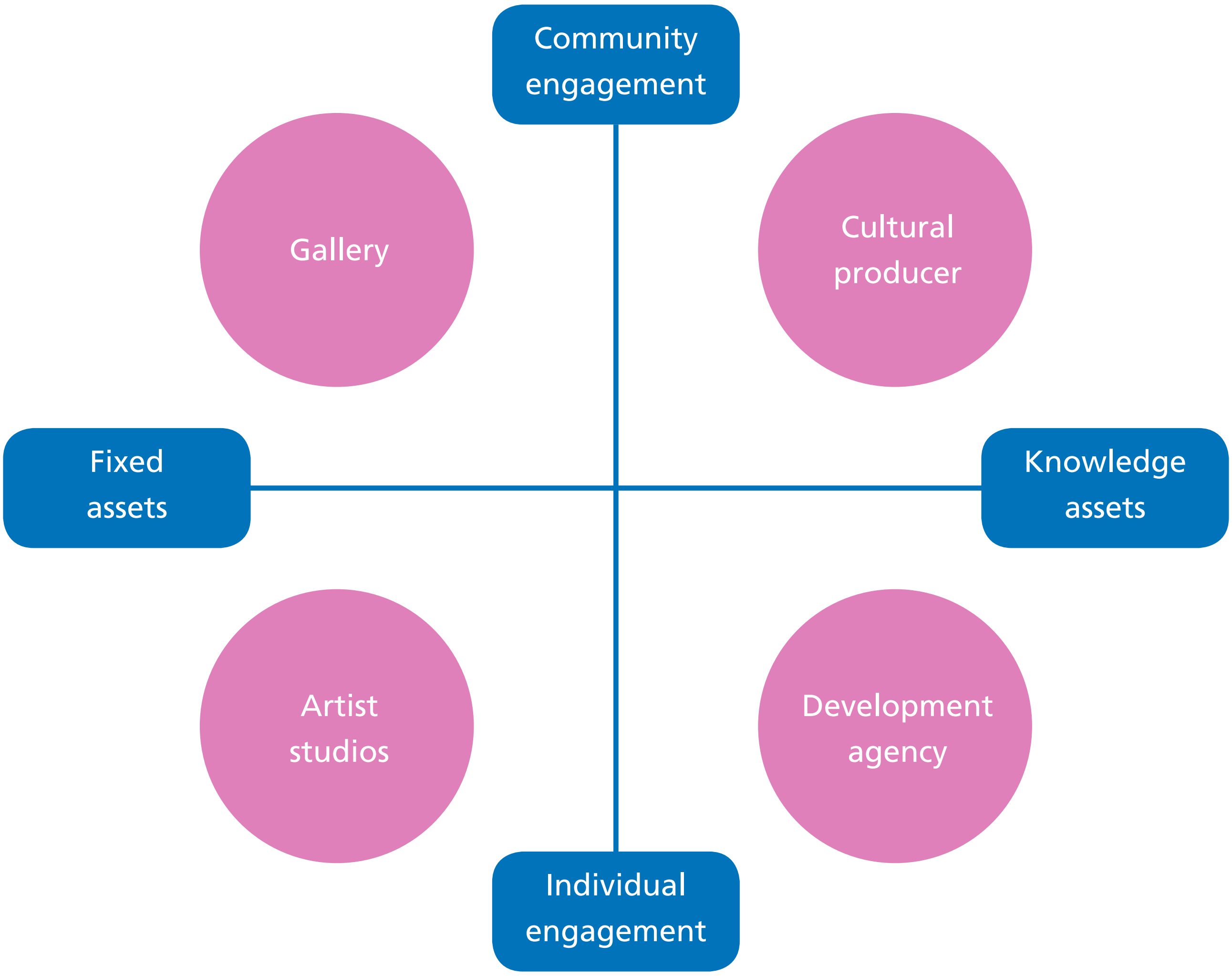

Figure 4, Henley Matrix, *Towards thriving 21st century organisations* (Curry and Gunn, 2005)

The following paragraphs address the benefits and challenges, from a business viewpoint, which arise from being in each sector

Fixed assets

We are coming to the end of a period of remarkable public investment, via the National Lottery, in the refurbishment and construction of arts venues. Since 2000, the Arts Council alone has invested £104 million in visual arts buildings.

At a financial level, the decision to invest so heavily in bricks and mortar is rather counter-intuitive. Within the commercial world, there is a growing acceptance that value creation in the 21st century will come from the exploitation of intellectual property and that competitive advantage will accrue to those who can best manage assets which others own (see Iansiti and Levien, 2004).

A review of the 2008/2009 statutory accounts of 10 large, building-based visual arts organisations revealed that only one organisation (Baltic) had set aside funds to meet its expected future repair and refurbishment obligations. The problem appears to be compounded by the (correct) practice of writing depreciation off against restricted fund balances; no cash from unrestricted funds is therefore being ‘saved’ to fund repairs and renewals as would be the case in a commercial organisation.

Depreciation on restricted fund assets

Charities and commercial companies operate slightly different accounting rules. Profit-seeking companies do not have restricted funds (trust funds given for specific purposes). Assets are capitalised on the balance sheet and the asset value is reduced by an annual depreciation charge that appears as an expense on the balance sheet. If all other things are equal and the company achieves a break-even result or better, the company will amass a cash balance equal to the depreciation charge, enabling future assets purchases as the need arises.

Under the charity accounting rules (SORP) grants for capital projects are recorded as ‘income’ in the statement of financial activities, but the capital costs go straight to the balance sheet, creating a large surplus in the years the grants are received. This, in turn, creates a substantial restricted fund reserve on the balance sheet that matches the restricted fund asset. Depreciation is charged annually against the asset.

Most arts organisations do not budget for restricted fund deprecation, understandably seeing it as ‘book entry’ which has no impact on their business and not being concerned at the restricted funds ‘losses’ which result. Unfortunately this means the business is not setting aside cash for replacements.

Combined with the expected contraction in public funding, the ability of some organisations to maintain and update their buildings is at best uncertain.

Knowledge assets

Knowledge assets (defined as the intellectual capital that an organisation owns or needs to own to enable it to deliver its mission and create value) make for a potentially more flexible business model than bricks and mortar. The challenge is to manage the asset effectively given that the 'asset' is to a great extent, inside your employees' heads. An organisation working in this area needs to be able invest substantially in the development of their staff and in the systems which support knowledge-collection and -sharing.

Focus of engagement

In general, it will be easier for organisations whose engagement is focused at the community rather than individual level to build a diverse funding portfolio as their work will be more easily understood and appreciated by a wider range of funders and donors. For example, it is relatively easier to attract funding from individual or corporate donors for a schools workshop than for an artist development programme.

Start-ups/project funded and Service, Umbrella and Networking (SUN) organisations

There are two groups of organisation that will always struggle to establish an operating model that is truly sustainable.

The first group are the very small, start-up, project-funded organisations. It is hard to see how these organisations can become sustainable without additional organisational development support. They often do not have the skills, the time or the money to invest in doing more than delivering. As they are unlikely to generate returns at a commercial level, they cannot follow the usual commercial routes of bank borrowing, venture capital or private equity.

The second group are agencies created by policy-makers and funders to 'plug gaps in the market' and support the wider ecology. Frequently, these organisations were created to bridge a substantial gap between what funding bodies believed the sector needed to thrive and what the 'market' – artists and arts organisations – were willing and able to pay for. Such organisations will often struggle to find multiple income streams and will remain heavily dependent on public subsidy.

Snapshot 2008/2009

This section looks at the 188 members of the Arts Council visual arts regularly funded organisation portfolio through the lens of the Henley Centre matrix. The financial data is actual data for 2008/2009 from the organisation's annual returns. The data is aggregated at a high level and does not permit detailed analysis.

In total the organisations generated turnover of £131m, received Arts Council funding of £46m and other public funding of £26m.

The aggregate deficit for the year was £3.2m and total deficits were recorded for all three years from 2007 to 2010. It is likely that some, if not most, of these deficits relate to the write down of restricted fund assets, however, they still tell a story of weakening balance sheets and a failure to set aside funds for asset maintenance.

	Community + knowledge ('cultural producer')	Individual + knowledge ('agency')	Individual + fixed ('studio')	Community + fixed ('gallery')
No of organisations	43	52	20	73
Total turnover	£19m	£21m	£8m	£84m
Average turnover	£0.4m	£0.4m	£0.4m	£1.1m
Total surplus/(deficit)	(|£0.4m)	£0.04m)	£0.3m	£3.1m

Figure 5, 2008/2009 Henley Matrix analysis, *Towards Thriving 21st Century Organisations* (Curry and Gunn, 2005, p8)

The portfolio covers a very wide range of organisations in terms of scale and business model. The largest regularly funded organisation has a turnover of over £8m while the smallest has less than £50,000. Thirty-seven organisations received over £1m in core Arts Council support (66 per cent of the total) and core grants ranged from £2.8m to less than £40,000 per year. The galleries clearly dominate the portfolio in financial terms. Most organisations are tiny in financial terms, with 90 per cent meeting the EU definition of micro-businesses.[2]

The inherent fragility of micro-businesses is well documented in the commercial world and is a key reason why publicly funded support is offered to their owners via Business Link, local authority enterprise and regeneration teams, and so on.

2 A microenterprise is defined by the EU as an enterprise that employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed €2 million (£1.7m).

The following tables summarise the income and costs breakdown for the year.

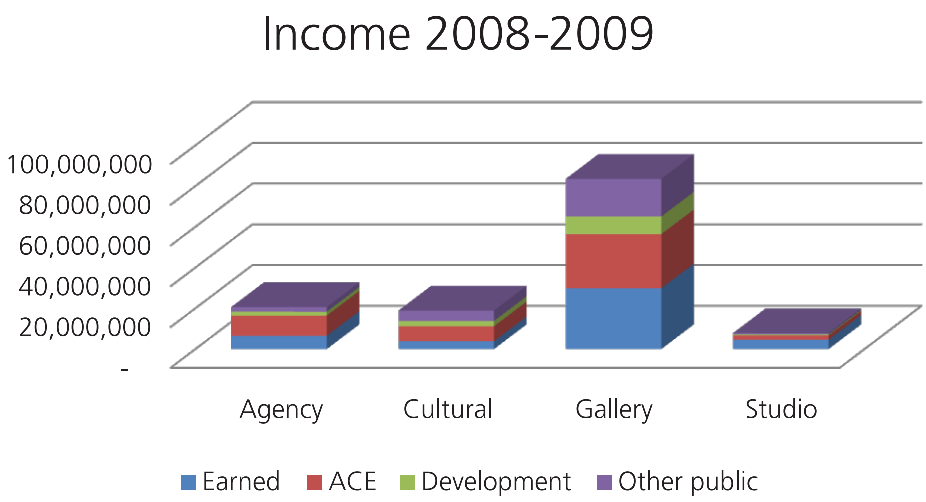

Figure 6, Income 2008/2009

All of the sub-sectors are vulnerable to reductions in public funding; those most at risk are the cultural producers who receive 2/3 of their funding from these sources compared with 1/3 for studios.

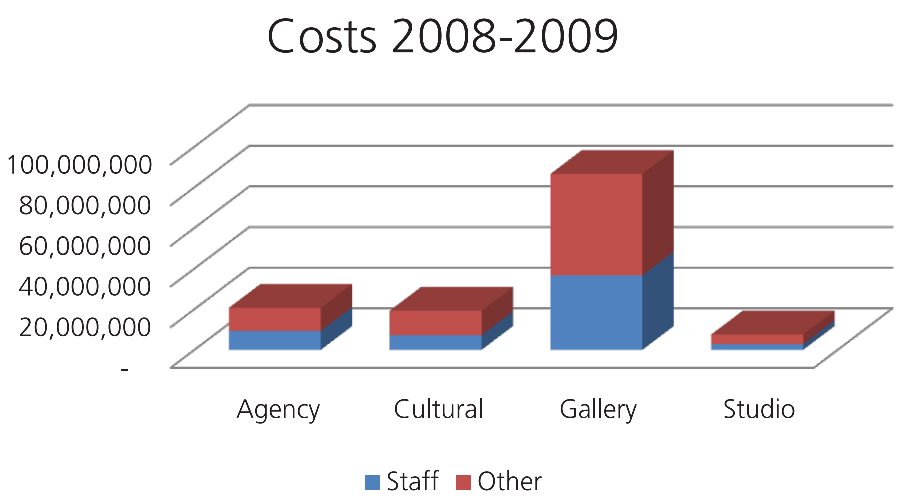

Figure 7, Costs 2008/2009

The cost structures within the sub-sectors vary significantly. Staff costs make up a high percentage of total costs – 45 per cent of agency and similar organisations' costs and 37 per cent for studios and cultural producers.

In summary:

- Taken together, the regularly funded organisation portfolio looks weak financially
- Most organisations are micro-businesses and face the challenges of being very small and having very limited resources.
- Staff costs represent a substantial proportion of total costs.
- The portfolio is very fragmented with great variations in scale and business model. Work on improving financial viability needs to take place at the sub-sectoral level with similar organisations working together to take on common challenges.

How can visual arts organisations develop better business models?

This section sets out a number of actions which visual arts organisations could take to strengthen their business models; not all actions will be relevant or appropriate for all organisations, some are potential 'quick wins', others are major cultural changes, which would take several years to bear fruit. There needs to be a balance between actions designed to

- control costs
- improve productivity (achieving the same result with less resources and/or achieving more with the same resources)
- income growth

The recommendations are broken down as follows:

- audience focus
- business skills development
- smarter support operations
- financial and funding strategies

Audience focus

Audiences (including potential collectors, volunteers and donors) are the most obvious and currently under-exploited source of future resources and income; their development should be a key component in the sustainability strategy of any organisation with a community/public focus.

A number of projects and initiatives are now underway, which are exploring the potential of this area.

- Audiences London and London galleries project to develop a framework for standardised audience data collection[3] – http://www.audienceslondon.org/2413/our-collaborative-projects/audiences-for-the-visual-arts-stage-2.html
- Turning Point SE and Audiences South pilot programme

3 Organisations involved are: Autograph, Barbican Art Gallery and The Curve, Beaconsfield, Camden Arts Centre, CGP London, Chisenhale Gallery, Courtauld Gallery, Design Museum, Gasworks, Hayward Gallery, Iniva, Matt's Gallery, National Gallery, National Portrait Gallery, Photographers' Gallery, Serpentine, The Showroom, South London Gallery, Tate Britain and Tate Modern, V & A and Whitechapel Gallery

- Contemporary Art Society collector development programmes in the North East and North West – http://www.contemporaryartsociety.org/become-a-member/north-east and http://www.contemporaryartsociety.org/become-a-member/contemporary-art-society-north-west
- Turning Point East's work on collector development
- Wysing Arts' collector scheme – http://wysingcollective.blogspot.com/

It is important that the network identifies mechanisms to share the learning from these projects and that ways are found to invest further in this area.

Business skills development

The general level of business skills within the sector is low (Creative and Cultural Skills, 2009). Too often, performance is not well managed, financial information is late and uninformative and marketing is tactical and reactive. Scarce resources are wasted because people do not know how to use them more effectively.

It is very hard for small organisations employing a few people to commit time and money to training. Could the Turning Point Network help to bring organisations together to share training either on a regional or sub sector basis? How could the online tools currently being developed support this? Could mentoring schemes be developed with the support of individuals from other art forms, other areas of the third sector or workers in the creative industries?

Other possible sources of support and learning include:

- peer to peer learning
- board members with business experience
- Business Link
- Creative and Cultural Skills[4]
- business schools in higher education institutions
- further education colleges
- local enterprise partnerships (possibly)

Smarter support operations

In business, one of the 'rules of thumb' is that you can take 10 per cent out of the cost base of most businesses without significantly impacting on delivery but that beyond 10 per cent you have a choice: you either do less or do things differently. All the organisations in the

4 CCS is in the process of developing a Creative Business Survival Toolkit, which will be available to download for free in March/April 2011. The project is being supported by the MLA and the Crafts Council and is specifically targeted at sole traders and micro-businesses.

network face cuts of over 10 per cent and few would wish to do less in terms of programme, so the obvious solution is to rethink those operations that are not integral to the organisation's specific cultural offer.

There are five possible (not mutually exclusive) options; all should result in reduced costs and/or a better service for the same money but would require careful planning and a willingness to rethink and probably formalise existing processes.

- joint procurement
- outsourcing
- shared services
- redesigning your business processes
- volunteering

Joint procurement

Joint procurement is simply defined as, combining the procurement (ie purchasing) actions of two or more contracting organisations.

Commonly quoted advantages and challenges are:

Advantages	Challenges
• Lower prices • Lower admin costs • Pooling skills and expertise	• Upfront investment in establishing frameworks and agreeing needs • Need to compromise • Need to change existing processes eg planning

Table 4, Joint procurement

Outsourcing

Outsourcing is the transfer of a business function to an external service provider, who could be a member of the Turning Point Network; in this case it would be an example of shared services. Outsourcing is not the same as subcontracting: there is an ongoing relationship between the parties rather than a one off deal transaction.

The practice originated in the private sector but is becoming more commonplace within the public and third sectors. Examples within the arts world include:

- outsourcing of payroll and book-keeping functions
- use of freelancers
- operation of some catering operations

- the provision of administration services to resident companies by their hosts, for example, Pilot at York Theatre Royal
- the management of the newly opened Corby Cube by Northampton Theatres
- HQ Theatre's management of a number of civic venues

The advantages and challenges are usually summarised as follows:

Advantages	Challenges
• Concentrate on core business • Cost and efficiency savings • Higher-quality service through better skills and experience • More flexible cost structure	• Upfront investment in agreeing contracts/service level agreements • Need to rethink and probably formalise your own processes • Risks around non-delivery need managing

Table 5, Outsourcing

Shared services

Shared services is the same as outsourcing, except that a group of like-minded organisations come together to provide each other with services, or form a new entity to do so. The issues are similar to outsourcing except that you are working with 'friends' with all of the advantages and possible disadvantages that such a relationship brings.

Shared services

ConsortiCo Ltd is a consortium of voluntary sector organisations. **Bedford Creative Arts** is a founder member.

The aim of ConsortiCo is to harness the strength and flexibility of the voluntary sector to deliver public sector contracts. It provides a single contracting route for commissioners, while protecting the unique identity and contribution of the member organisations.

Member benefits include:
the ability to join a fast-growing family of like-minded voluntary organisations
- the ability to participate in consortium bids for larger/more complex contracts
- advice and support from the ConsortiCo hub
- reduced isolation for chief officers
- the ability to create shared services such as HR advice and IT puchasing
- the ability to work in 'thematic partnerships' to develop concepts to present to commissioning bodies

www.consortico.com

The piloting of such an approach by one of the Turning Point groups, with a clear remit to share the lessons and structures, would be a significant contribution to enhancing sustainability.

Redesigning your business processes

There are two main reasons to review your operational processes periodically to see if they can be improved:

- over time business processes tend to become less efficient
- the last ten years have seen a revolution in business support technologies (for example, accounting, project management, customer relationship management) that are now relatively inexpensive and easy to use with minimal training.

Shape introduced a new enterprise level accounting system (cost £10,000 including training) that allowed it to produce management accounts promptly, funder reports automatically and real-time financial information for all budget holders on their computer desktops.

Understanding, charting and redesigning business processes is time-consuming but not overly challenging; it can yield real results by reducing activities that do not add value and by improving performance.

Volunteering

Interns are an established feature of the operating models of many visual arts organisations. Recently, in response to rising unemployment, particularly among the young as well as in the light of ideas around 'the big society', there has been renewed debate around the ethics of using volunteers and unpaid interns.

In December 2009 the TUC and Volunteering England agreed a joint charter incorporating the following principles

- All volunteering is undertaken by choice, and all individuals should have the right to volunteer, or indeed not to volunteer.
- While volunteers should not normally receive or expect financial rewards for their activities, they should receive reasonable out of pocket expenses.
- The involvement of volunteers should complement and supplement the work of paid staff, and should not be used to displace paid staff or undercut their pay and conditions of service.
- The added value of volunteers should be highlighted as part of commissioning or grant-making process but their involvement should not be used to reduce contract costs.
- Effective structures should be put in place to support and develop volunteers and the activities they undertake, and these should be fully considered and costed when services are planned and developed.
- Volunteers and paid staff should be provided with opportunities to contribute to the development of volunteering policies and procedures.
- Volunteers, like paid staff, should be able to carry out their duties in safe, secure and healthy environments that are free from harassment, intimidation, bullying, violence and discrimination.
- All paid workers and volunteers should have access to appropriate training and development.
- There should be recognised machinery for the resolution of any problems between organisations and volunteers or between paid staff and volunteers.
- In the interests of harmonious relations between volunteers and paid staff, volunteers should not be used to undertake the work of paid staff during industrial disputes.

See http://www.volunteering.org.uk

These principles, together with the detailed guidance offered by Volunteering England, provide a framework for the employment of unpaid staff. It is not a 'no cost' option – good volunteering schemes cost money to set up and run – but it does offer real benefits. As well as providing a way for organisations to reduce their fixed cost base while maintaining activity levels, intelligent use of volunteers can enhance the impact that an organisation can have within its community.

Financial and funding strategies

Fundraising and philanthropy

The coalition government has clearly signalled its wish to see arts organisations increase their fundraised income and Arts Council England has recently released a policy paper on philanthropy. With notable exceptions, such as The Serpentine Gallery, the visual arts (especially outside London) has not done as well as some other art forms, such as music, in this area.

This is a substantial topic and well beyond the reach of this short report. However, I would suggest that the network considers commissioning some research:

- comparing current fundraising performance across the network and exploring the reasons for relative success and failure
- assessing the potential for further fundraising
- looking at pilot studies, possibly as action learning sets

Active reserves policy

Reserves are 'boring' and receive very little attention. Many organisations have chosen to budget for 'break even' year after year and not to build reserves, believing that in the event of a financial crisis:

- they will be 'bailed out'
- funders will withdraw grants from organisations with 'too much money in the bank'.

If either position was ever true, neither is true now.

Reserves are a fundamental component in a sound business model. Appropriate free reserve levels (unrestricted reserves not invested in fixed assets) are essential to allow an organisation:

- to respond strategically to changes in funding and the external environment without being forced into 'slash and burn' cost-cutting
- to invest in opportunities and in long-term development, which cannot be easily or quickly fundraised for
- to take both programming and commercial risks and to reap the rewards
- to manage cash-flow peaks and troughs

For a very useful summary of the issues, see the recent MMM report (Bolton and Cooper, 2010).

Reserves planning should be part of the business planning process for any organisation and should tie directly into risk assessment. There are a number of sources of excellent advice on reserves policies and risk management on the web including

- Charity Commission CC19 Charities and reserves http://www.charitycommission.gov.uk/publications/cc19.aspx
- Charity Times http://www.charitytimes.com/pages/ct_features/august06/text_features/ct_august06_feature4_balancing_the_equation.htm
- Sayer Vincent, *Drawing up a reserves policy* http://www.sayervincent.co.uk

Improving secondary spend

Many galleries and other venues have a catering outlet and some have a shop; these operations, together with hires, often constitute the main source of earned income. Unfortunately, after allocating overheads, too many facilities do not make money. Notable exceptions are Cornerhouse and BALTIC, which both have a:

- great location
- strong brand
- do not try and run the business directly – using either a franchisor or separate trading company.

If you have a catering or retail operation that is not performing consider commissioning a 'quick and dirty' external review from an expert consultant.

Consider if your offer is appropriate – many venues offer the kind of catering their senior managers enjoy rather than the service that most of their visitors want. Do not confuse issues about branding with personal likes and dislikes.

Be ruthless – if it cannot make a profit because it is too small, there is too much local competition or not enough footfall – close it or at least contain the losses by passing the risk onto an outside firm.

For guidance see http://www.ncass.org.uk/content/become_a_caterer.aspx

Overheads review

If your organisation occupies a sizeable building consider commissioning an overheads review from a reputable cost management consultancy if one has not been undertaken in recent years. Standard terms are: no upfront fees and 50 per cent of all savings achieved over three-year period. The consultants, who use smart computer programmes and their connections with utility suppliers, and so on, to compare prices and negotiate better deals, will undertake the bulk of the work for you. Savings can be in the region of 20–50 per cent.

In 2009, for example, Farnham Maltings instructed Auditel to undertake a review of its overheads. Savings achieved were in the range of 13 per cent for gas and electricity, 23 per cent on merchant card fees and 60 per cent on alarms.
See http://auditel.co.uk/publish/testimonials/2010/06/30/farnham-maltings/#more-755

Concluding thoughts

During this research an interesting paradox emerged. There is a widespread belief, broadly supported by the evidence, that business models in the visual arts are relatively weak and vulnerable to relatively modest changes in public funding and the external environment. Equally, there is a broad consensus around the necessary traits of a strong business model, for example, those set out by the Arts Council Thrive programme and widely endorsed by policy-makers, consultants and leaders in the sector:

- a strong future vision, which is clearly articulated through mission and values
- artistic excellence and the capacity to take artistic risks
- a commitment to learning and development to enable the organisation to be flexible and adaptable
- financial viability (including positive balance sheets and a range of income streams)
- sound managerial systems and human resource practices
- good leadership and clear governance
- a sound knowledge of present and future audiences, participants and customers
- strong networks and good relationships with stakeholders, customers and suppliers

I have summarised these as the need for an arts business to have a strong and appropriate organisational culture and to be well-led and well-managed so that it can be attractive, agile and able to deliver.

Suggestions for further action

We know what success would look like; the challenge is to make it happen. Some of the obstacles are systemic but there are many actions that individual organisations and the network could take, which would make a significant difference to the health of individual organisations and the sector as a whole. Building better business models is not ‘rocket science’ – it is a combination of hard work, serious thinking, common sense, a focus on the customer and being open to learning from each other, colleagues in other artforms, the third sector and the private sector.

The following are offered as a friend not a critic!

Individual organisations

- Understand your own business model (if you do not already) using one of the models offered in this report. Think about your assets – both tangible and intangible – and how you can best exploit them to attract money and other resources. Get real clarity about what it costs you to deliver each aspect of your programme on a full cost-recovery basis. Understand where you really add value and where things could be done better, possibly by someone else.
- Take a long hard look at your current reserves policy and the risks your organisation faces. Be honest and set a policy target you will actually deliver and be prepared to live with the consequences if you do not set aside enough.
- Actively consider how you could collaborate at an operational level with other organisations in your region/sector via joint procurement and/or shared services.
- Identify those parts of your business that are 'generic' and not fundamental to your unique cultural offer, for example, book-keeping, payroll, IT. Consider whether you could outsource these to an external provider or share services with other cultural organisations to save money and/or get a better service for the same money.
- Challenge yourselves to get to know your audiences better and work out how you could generate more financial value from them, for example, more retail spend per head, friends schemes.
- If you have a commercial trading operation – for example, a shop, a café or room hire – does it make money after you have taken all the costs into account? If not, why are you running it? What could you do to increase profitability – grow revenues, improve margins, change the product mix?
- Work out how you could raise the business awareness and skills within your organisation. Options include: learning from peers in other organisations, getting your board involved, Business Link, local enterprise partnerships, your local business school and/or further education college as well as training, knowledge transfer from consultants and bringing new staff into the organisation.
- Consider the introduction of a modern, well-thought out volunteering or intern programme to reduce your fixed cost base.
- If you run a building, consider an overhead review by a reputable cost management consultancy. There should be no upfront fees and you share the savings with them, typically 50:50 over a say three-year period.

Turning Point Network

- Open up the debate about the relationship between the visual arts and business.
- Use the knowledge-sharing tools being developed to highlight interesting ideas and good practice about creative and arts businesses both in the UK and overseas.
- Encourage pilot projects and share the resulting learning. Consider the developments of toolkits, tips 'n' tricks and good practice guides out of these pilots to be shared across the network. Look at the third sector for good examples of how to do this, such as National Council for Voluntary Organisations, Association of Chief Executives of Voluntary Organisations, Association of Charitable Foundations.
- I would suggest the following topics, some of which are already underway:
  - shared services
  - audience development
  - business skills development
  - individual and corporate giving outside London.

Funders – particularly Arts Council England

- Become less tolerant of underperformance and become more willing to 'pull the plug' on failing organisations and projects.
- Require the use of the self-evaluation framework for all regularly funded organisations and insist upon the production of proper three–five-year business plans.
- Provide clear guidance on the importance of a proper reserves policy and strategy.
- Place a greater emphasis on audience development within the visual arts.
- Consider how the new funding framework could support the development of shared services.
- Explore with the sector and other players, for example, sector skills councils, and NCVO, how the level of business skills could be raised within the sector.
- Invite all recipients of Organisational Development funding to share their knowledge within their sector and/or regionally.
- Publish in an accessible form the key learning points from the OD Thrive programme.
- Continue to support the network as a key mechanism in building strength within a fragmented sector.

This concludes my report. It has been a most fascinating project whose timeliness has seemed to grow with each passing week. The chance to reflect on some issues very close to my heart has been a great gift and a privilege. I would like to thank Vivienne Bennett and the Turning Point Network for commissioning the work and for all those who have, in so many generous ways, assisted with its production.

Our sector is full of creative and exciting people making and presenting great work. The changes we need to make are, I believe, fairly clear – the challenge will be harnessing our creativity and passion to make those changes so we can continue to deliver great work.

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Appendix B: contributors

Claire Antrobus	Independent consultant and Clore Fellow, Claire Antrobus Consulting
Vivienne Bennett	Director, Visual Arts Strategy, Arts Council England
Lynn Blackadder	Consultant, Lynn Blackadder Consultancy
Iwona Blazwick	Director, Whitechapel Gallery
Sarah Bolling	Interim Chief Executive, Audiences London
Kate Brindley	Director, Museums and Galleries, Middlesbrough Council
Andrew Brown	Arts Council England
David Brownlee	Chief Executive, Audiences UK
Anna Dinnen	Manager, Organisational Development, Arts Council England
Alison Edbury	Chief Executive, &Co
Ken Elvy	Director, Organisational Development, Arts Council England
Caroline Felton	Chief Executive, Creative and Cultural Skills
Adrian Freidli	Director, Digital Projects, Arts Council England
Dawn Giles	Director, Bedford Creative Arts
Elizabeth Gilmore	Arts Council England
Chris Grady	Consultant, Chris Grady.org
Rosy Greenlees	Chief Executive, Crafts Council
Hilary Gresty	Director, VAGA
Timandra Gustafson	Arts Projects and Resources Manager (acting), Hampshire County Council
John Hartley	Arts Council England
Paul Hobson	Director, Contemporary Arts Society
Diane Howse	Co-director, PSL
Annabel Jackson	Consultant, Annabel Jackson Associates
Amanda King	Turning Point South East Co-ordinator
Dawn Langley	Consultant, Alchemy research and Consultancy
Donna Lynas	Director, Wysing Arts Centre
Sheila McGregor	Chief Executive, Axis
Val Millington	Director, National Federation of Artists' Studio Pacavaroviders
Dave Moutrey	Chief Executive, Cornerhouse
Andrew Nairne	Executive Director, Arts Strategy, Arts Council England
Michael Noonan	Consultant

Taylor Nuttall	Director, folly
Ian Oakley-Smith	Director, PricewaterhouseCoopers
Victoria Pirie	Chair, Walford Mills
David Pratley	Consultant, David Pratley Associates
Francis Runacres	Director, Investment, Arts Council England
Mark Segal	Director, Artsway
Paul Smith	Liverpool Biennale
Michelle Solarno	Arts Council England
Mary Alice Stack	Manager, Artco
Pauline Tambling	Managing Director, National Skills Academy
Sally Taylor	Director, LCACE
Jon Treadway	Director of Regular Funding, Arts Council England
Alessandro Vincentelli	Curator, Baltic
Richard Watts	Consultant, People make it work
Simon Zimmerman	National co-ordinator, Turning Point, Arts Council England

Appendix C: organisations reviewed

Acme Studios
Arnolfini
Artangel
Artsway
Aspex
Association for Cultural Advancement through Visual Art
Beam
Bedford Creative Arts
Bluecoat
Bow Arts Trust
Bridge Street Arts
Camden Arts Centre
Centre for Creative Collaboration
Compton Verney
Cornerhouse
De La Warr
Derby Quad
Devon Guild
FACT
Forma
Four Corners
Future Everything
Grizedale
ICA
Ikon
Institute of Contemporary Arts
John Hansard
Knowle West Media Centre
Kube
Lakeland Arts
Liverpool Arts Regeneration Consortium
Milton Keynes Gallery
mima
Modern Art Oxford
Mother Studios Hackney
Museums Sheffield
Newlyn Art Gallery
Nottingham Contemporary
Pavilon
Photographers Gallery
Picture This
Plymouth Arts Centre
Project Art Works
Project Space Leeds
Serpentine
South London Gallery
Spike Island
the Architecture Foundation
The Culture Company
Watershed
Whitechapel
Workplace Gallery
Wysing Arts Centre
Yorkshire Arts Space
Yorkshire Sculpture Park

Appendix D: interesting and blogs

All these sites and blogs have prompted, informed and provoked my thinking on this area (I have not included the 'obvious' ones, such as The Guardian, Arts Council England)

http://www.matthewtaylorsblog.com
http://newphilanthropycapital.wordpress.com/#
http://thinkingpractice.blogspot.com/
http://www.internationalfuturesforum.com/iffblog/?p=606
http://www.audiencesuk.org/
http://www.urbanophile.com/
http://www.axisweb.org/Dialogue.aspx
http://museumtwo.blogspot.com
http://www.claireantrobus.com/blog/

Appendix E: The performing arts 'paradigm'

During my research many of those I consulted commented that the prevailing arts funding paradigm was that of the performing arts and that it was important to understand how the performing and visual arts models differed.

The following summary comparison between a hypothetical regional producing theatre and a 'typical' regional gallery explores the key differences in business model and their implications. Clearly, many of these comments will not apply to all visual arts organisations, such as artist studios.

- The absence of paying customers is the most significant difference. The business model is less flexible both in terms of cost (proportionally higher fixed costs) and revenues (fewer opportunities to boost revenue and profits through programming). In a gallery, increased activity usually leads to an increasing need for subsidy. Audience numbers are not a major component in balancing the budget and are therefore sometimes ignored, thereby ignoring a critical source of new revenue. In the absence of a commercial income stream to manage, business skills are not prioritised/developed within the staff team and there is little investment in better business processes.
- Within producing theatre there is a tradition of collaboration as a result of co-producing, presenting etc. Typically, curators wish to curate their own shows not stage ones put together by others.
- Variations in customer behaviour make it harder to generate commercial revenue – theatre audiences purchase high-margin alcohol and merchandise over a restricted time-frame, whereas gallery visitors buy a coffee during the day.
- Lack of a well-established network of industry bodies which provide cohesion and opportunities for shared learning/networking, such as the Theatrical Management Association, Society of London Theatres, Equity, BECTU and The Independent Theatre Council

In the absence of paying customers at the heart of the business, visual arts organisations will always need to work relatively harder to build and maintain robust models.

Arts Council England
14 Great Peter Street
London SW1P 3NQ

www.artscouncil.org.uk
Email: enquiries@artscouncil.org.uk
Phone: 0845 300 6200
Textphone: 020 7973 6564
Charity registration no 1036733

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