Changing times

Margaret Bolton takes a look at how an investment in change will return a more resilient arts and cultural sector

Illustration by Sugarfree

Last year I developed a piece of work with Clare Cooper for Mission Models Money, examining how not for profit arts and cultural organisations could become more resilient – particularly more financially resilient (see the box for an explanation of some of the terms used in this article). We wanted to understand how organisations were working to change and evolve their business models in order to generate more income and to reduce their costs and their need for capital in order to make the transition.

The organisations we came across in our research who appeared to be achieving some success in better exploiting current income streams or developing new ones tended to have some key characteristics in common. These included entrepreneurial leadership (including an understanding and supportive board often achieved because changes had been made – for example, a new chair!) but crucially also clarity about brand communicated effectively through the organisation and to audiences and a strong audience focus.

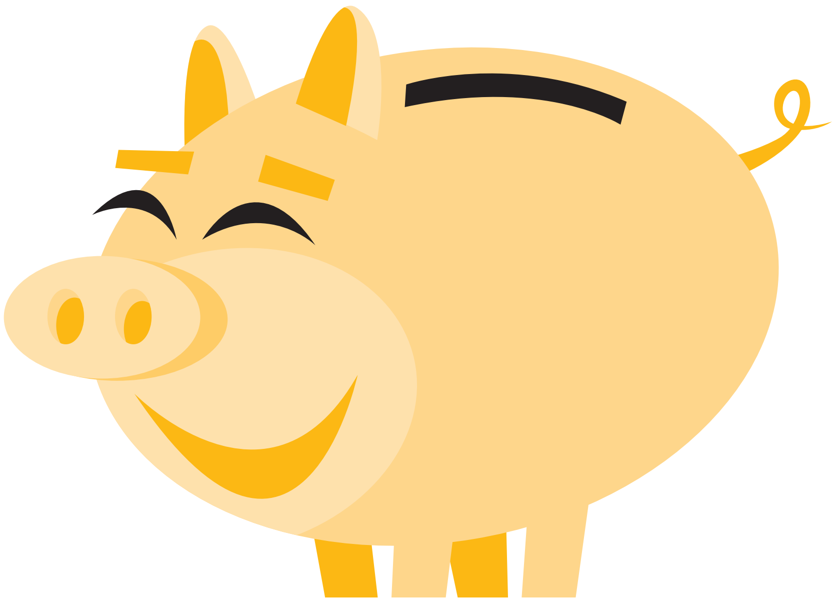
The report that we produced based on this work, 'Capital Matters', recommends that organisations take an asset-based approach – that they consider the assets that they already have and how they might use them to generate additional revenue or create new assets. Assets include the tangibles like buildings and equipment but also the intangibles like the skills and experience of staff and relationships with audiences, donors, volunteers, supporters, etc.

The organisations we identified as being at the leading edge recognised that their brand and reputation and their audience were two of their most valuable assets. They were developing new income-generating projects and programmes but they tended to describe these first in terms of the contribution they made to their reach and reputation, and second, in financial terms.

In fact, one of the striking features of the research was the extent to which the organisations we looked at saw resilience not simply as a matter of cash but of delivering cultural and wider public value. Some were taking a community asset-based development approach, engaging deeply with local communities and acting as a community resource. One told a story of how when their funding was being considered at the local council meeting, a number of members of the local community stood up and supported their funding application, recounting the difference that being involved with the organisation had made in their lives.

One of the key messages of our report is that organisations need access to development capital to enable them to adapt and change. Many not-for-profit arts and cultural organisations still operate on the model of balancing expenditure with income. They lack adequate reserves for the rainy days and designated funds to invest in their organisation and its change/evolution. They need capital, for example, to develop new websites and integrated box office systems which enable them to collect more information about their audiences and to communicate with them based on a better understanding of their behaviour and preferences. They need capital to develop and operate new income-generating ventures.

With any new venture the starting point is the same – understanding your market, who they are, what they will pay for and how much. The obvious complication in the world of not-for-profit arts and cultural organisations is that mission has primacy – you can't just think about



what people will buy but also about what you are there to achieve. The win–win for arts and cultural organisations is to develop new ventures that contribute to mission and also generate extra income because they are a response to audience desires and preferences. We found numerous examples in our research: Live Theatre putting its offline playwriting course online, the Leach Museum investing in its online sales of the ceramics made in its workshop and MEAL developing training programmes for local people.

'Capital Matters' is a call for action. It calls arts and cultural organisations to change their mindset and to develop an investment culture – although it acknowledges how difficult this is – by planning to accumulate reserves for both a rainy day and investment in the organisation and its future. And, it asks funders to change their mindset and to finance and support organisations in different ways, for example, incentivising rather than penalising the accumulation of adequate reserves and providing funding for research and development, including for new income-generating ventures. If such investment were made the return would be significant, a more resilient and therefore more confident, more vibrant, less risk-averse arts and cultural sector.

'Capital Matters' – how to build financial resilience in the UK's arts and cultural sector, by Margaret Bolton and Clare Cooper, with Clare Antrobus, Joe Ludlow and Holly Tebbutt see: www.missionmodelsmoney.org.uk

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Definitions

Business model – 'A business model is the mechanism by which a business intends to manage its costs and generate its outcomes – in the case of for-profits, the outcomes are primarily revenues earned, and in the case of nonprofits, the outcome is primarily the public good created.' Falk and Sheppard

Capital – Capital is the money or resource that enables an individual or organisation to generate wealth or the initial investment in a new business. Economists refer to knowledge and skills as human capital.

Financial resilience – Being able to withstand financial shocks such as the current economic downturn and to adapt to changes in the environment, for example, taking advantage of new opportunities.

Resilience – Mark Robinson, Thinking Practice, identifies the characteristics of resilient arts organisations and sectors which he groups under two main headings: resources and adaptive skills. He suggests that 'organisations and sectors that consistently display these characteristics will tend to prove more resilient, be more productive and have more impact'.