

92-037

DISCUSSION DOCUMENT



INTRODUCTION

Within this folder is a discussion document produced as part of the process of putting together a national strategy for the arts and media. It does not form part of the strategy. Neither does it express any sort of 'official' view. It was written in order to focus discussion and stimulate ideas.

WHY?

The arts and media in Britain are in renaissance. Over the last decade, they have shown a confidence and diversity never seen before. In quality of work and audience demand, the arts and media have never looked healthier or more central to people's lives. More than ever before, the arts are a source of civic pride as well as personal enrichment.

The arts and media in Britain are in crisis. Scarcely a day goes by without press stories of theatres facing closure, grants being cut or audiences declining; of a lack of good innovative work in all art forms; of the absence of a sense of direction, purpose and adventure.

These views may not be incompatible, and each has some truth. What is beyond doubt is that ideas of what is art have expanded; that demand has rightly grown for access to the arts, film and broadcasting to be the right of all rather than the privilege of the few; and that resources, both public and private, have struggled to keep up. Growth in the variety of the arts contains its own problems. So how can the strategic injection of public money, and the growth of partnership with the private sector, encourage new developments? What should the priorities be? How do we make sure that the opportunity to enjoy the arts is spread ever more widely throughout society?

This is where the national arts and media strategy comes in. In 1990, the Minister for the Arts asked the arts and media funding bodies (the Arts Council of Great Britain, the British Film Institute, the Crafts Council and the Regional Arts Associations/ Regional Arts Boards) to prepare a national strategy. One of its purposes is to provide the basic framework for their work. The Scottish and Welsh Arts Councils are conducting parallel exercises; and the local authorities and museums funding bodies are also associated with the strategy.

A further purpose is to consider whether the public money spent on the arts and media has been used to best effect, and how those responsible can do better in the future. It is important that all those with experience of and a passion for the arts and media provide support, assistance and advice to get the strategy right. Most important, it must be seen as a strategy for the arts and media, not for the bureaucrats.

HOW?

The paper in this folder is part of this process. It is one of a series of discussion documents; each is available free on request. Responses to them will be collated by the National Arts and Media Strategy Unit. Arising from this, a draft of the strategy will be prepared by Spring 1992. This too will be available for comment. The final version of the national arts and media strategy will be completed by Summer 1992. The hope is that the resulting document will be slim, challenging and readable - and that it will provide a mission statement for the arts and media over the next decade, as well as setting out clear goals and targets.

The national arts and media strategy will not write a single novel, put on a single play or make a single film. What it can help bring about, if the funding bodies receive the help of those who care about the arts and media, is the maximum opportunity for such creativity to flourish and for it to enrich the lives of ever more people. Your contribution to this process will be valuable and valued. Please send your views on this discussion document to the address below, to arrive by 30 November 1991.

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MANAGEMENT OF ARTS ORGANISATIONS

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NATIONAL ARTS AND MEDIA STRATEGY: DISCUSSION DOCUMENT ON THE MANAGEMENT OF ARTS ORGANISATIONS

This paper has been written to generate discussion and debate. It is not a chapter of the national arts and media strategy or a definitive statement. The views it expresses are those of its author, David Fishel.

His paper considers a range of issues connected with the management of subsidised arts organisations, though he also makes reference to the commercial and unsubsidised sectors. 'Management of arts organisations' is a broad subject, and we should welcome your views on **any** aspect of it, whether or not covered in the paper. Views on the following areas would be particularly welcome:

- (i) Equal opportunities issues of arts management - particularly in relation to cultural diversity, women and disability.
- (ii) Lessons to be drawn from other countries.
- (iii) Lessons to be drawn from the commercial arts sector, and the not for profit and commercial **non-arts** sectors.
- (iv) The **essential** and **practical** differences (if any) between managing a subsidised arts organisation and managing any of these other sorts of organisation.
- (v) The major training needs for Boards, staff and funders.

In addition we should welcome your views on all or any of David Fishel's recommendations (pp 24-26 of his paper).

**NATIONAL ARTS AND MEDIA STRATEGY UNIT
AUGUST 1991**

NATIONAL ARTS AND MEDIA STRATEGY

DISCUSSION DOCUMENT ON MANAGEMENT STRUCTURES OF ARTS ORGANISATIONS

DAVID FISHEL

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Scope of the paper

In funding terms, arts organisations can be divided broad types: commercial, subsidised and unsubsidised. Commercial would include much of the music industry, some of the theatre industry, and many smaller galleries. The traditionally unsubsidised would include the amateur sector and most crafts activities.¹

This paper concentrates on the subsidised sector, although it will refer to and draw upon some of the experiences of the commercial sector. The reason for this focus is a recognition that both the commercial and unsubsidised sectors are likely to develop independent of any policy debate: they are influenced largely by market forces and individual entrepreneurial ability, and whilst this implies that there may be lessons to learn from them it also means that they are unlikely to be affected by an emerging strategy from the centre, at least so long as government is unwilling to be as actively involved in cultural investment partnerships as, for example, the Australian government has been in the case of their film industry.

The scope of management in this document embraces not only the Board but also the senior officers of the organisation in so far as this affects planning and decision-making. The paper considers a number of possible changes in the management structure of independent and local authority arts organisations, and concludes with consideration of the management implications of an increasing need to generate income from non-governmental sources. While much emphasis is placed upon improving the efficiency and effectiveness of arts management it is worth stressing at the outset that whatever changes or improvements are undertaken, no arts organisation can be truly effective unless it has the resources to operate at an appropriate level. It is the responsibility of government to ensure that there is enough cash in the system, through subsidy, through the disposable income of individuals, and through the health of the economy.

¹ For a broad overview of the scope of the cultural industries see "Arts and Cultural Policy: A Discussion Document", Association of Metropolitan Authorities, 1990

Independent organisation Boards

Although there are a number of co-operatives and un-incorporated associations in the arts, most independent subsidised arts organisations in the UK have the status of limited companies and registered charities.

The popularity of limited company status lies in the limited liability of the members. In a commercial organisation the members would be the shareholders, and companies 'limited by guarantee' were created (in the seventeenth century) as a mechanism to encourage investment in ventures carrying a degree of risk by limiting the risk exposure of the investors. Essentially, if things went wrong their liability was limited to the level of their investment.

This mechanism has been adapted by charitable organisations. As charities do not distribute profits, and therefore do not normally have share capital, the members (who are often synonymous with the Board members) have a nominal liability in the event of things going wrong and the company being wound up, provided that they have acted diligently.

In the early days of an arts organisation the Board members may be hand-picked friends and acquaintances of the individual artistic force behind the company. There is likely to be a strong sense of personal loyalty to the Artistic Director's vision.

Later, in the more mature years of the organisation the Board will replenish itself through its own networks, possibly in an ad hoc fashion. Love of the particular art-form, a philanthropic desire to have an involvement in a community resource, curiosity, and occasionally prestige, will all play a part in the decision to accept a place on such a Board.

In addition to the 'independents' the Board may have stakeholders represented on it: local authorities, the Regional Arts Board or the Arts Council. In total the number of Board members may be anything from a handful to thirty or so. Typically it would be in the range of 15-20 members.

The Board members of such a 'charitable company' will act in a voluntary capacity and, as a consequence of the Charity Commissioners' views, the Executive Officers (Artistic and Administrative Directors) will not normally be members of the Board, although they will attend meetings. One or two other members of staff may attend meetings in a representative capacity.

There are several potential weaknesses in this situation. The first is that this Board structure does not start with the needs of the organisation, but the needs of a number of interested parties. Moreover, there may be a tendency for the Board's

composition to be rooted in the past as a consequence of personal and even accidental contacts and circumstances, rather than being focused upon the future, ie where the organisation needs to get to in the next few years, and the skills and knowledge which it will need to get there.

At the least, it is likely that the momentum for change at Board level may be difficult to sustain - it will tend to happen in short bursts rather than being a regular process. And because the Board will normally attract new members through personal networks it will tend to perpetuate itself 'in its own image', potentially excluding new talent, members of a different generation, and sectors of society with whom the Board may not have professional or personal contact.

Secondly, the representation of funding bodies is there as a monitoring and control process, not as a positive, dynamic force in the management of the organisation. This runs the risk of changing the mood of the Board meeting from businesslike to politic, and can prevent completely open and honest debate taking place. As funding body representatives often emphasise their arms length relationship with the organisation both Board members and Executive staff feel they are "on show" to some extent.

Thirdly, the concept of trusteeship in relation to charity status emphasises further the responsibility of Board members themselves to monitor and control, rather than to effect positive development. It also encourages a sense of responsibility for the care and protection of the arts facility rather than for the efficient management of a business.

This raises a number of questions. Are the arts using limited company status effectively? How restrictive, and therefore how appropriate, is charitable status? To what degree can change at Board level be effected? What should the involvement of the funding bodies/stakeholders be on the management body? Should the Executive Officers be Board members? In the absence of shareholders, to whom are the Board accountable? Finally, should there be Boards at all for most arts organisations ?

Company structure

With regard to company structure, the company limited by guarantee continues to provide a convenient method of protecting member-Directors against the risks involved in running an arts organisation, some of which will be beyond their control. Without this protection it is doubtful whether Board members could be attracted.

There are, however, alternatives to the single company. It is not uncommon now for subsidiary companies to be established to manage the commercial activities of

an arts organisation which is a registered charity. Typically, the subsidiary will be established to handle catering or retailing, but it may be there to handle commercial exploitation of the artistic product, with profits being covenanted to the charitable company. In the first instance this is undertaken as a means of staying within charity law as commercial activities do not constitute the principal object of a charity. Separating these activities out into another company may prevent the organisation attracting unwelcome attention from the Charity Commissioners.

This legal device creates the opening for a benefit which has not been widely or effectively exploited - the opportunity to build a specialist Board with skills which are most appropriate to the trading and commercial activities of the arts organisation. Board meetings are difficult enough to manage without spending an hour discussing the quality of the catering or the content of the bookshop. By establishing a separate subsidiary, with full legal and fiduciary responsibilities for the commercial operations, it is possible to gain a far greater sense of focus, both in the main Board and the commercial Board, and enhance the level of commercial expertise without fear of unbalancing the composition of the main Board.

The running of additional companies involves time and expense. If the commercial activity is very modest it is going to be more appropriate to manage it through a sub-committee of the (main) Board rather than through the creation of a separate company, albeit this may be technically contrary to charity law. But where it is envisaged that commercial activity will become more important in the future, this time and expense will be justified.

Charitable status

The benefits of charitable status lie in the reduced level of uniform business rates which are incurred, and the ability to enjoy tax rebates through covenants, gift-aid, payroll giving and other institutions. Many grant-making trusts are empowered only to donate support to charities. There are also benefits in terms of the image of the organisation in relation to its stakeholders: charitable status is a seal of approval, an endorsement that resources, including public resources, are not being diverted for the benefit of individuals.

The disadvantages of charitable status lie in the restrictions on the organisation's activities other than the principal objects of the charity, and in the mind-set which it can create, encouraging caution and control rather than enterprise and development. Caution and control are, of course, virtues in their own right, but they are not necessarily helpful when it comes to income generation and the concomitant risk-taking which this often involves in the arts. Having said this, it is probable that subsidy-dependence, planning the business on the basis of 'losing' money, does even more to encourage can't do thinking, and particularly the view

that whatever the organisation's difficulties, it is someone else's problem to sort them out.

More significant than this judgment about the attitudes engendered by charitable status is the view imposed by the Charity Commissioners that members of staff should not be members of the Board. There are a number of arts organisations which simply ignore this directive, but most adhere to it. The reason for the directive is to protect against sharp practice, that is to protect against a situation where an individual could exploit the advantages of charitable status for personal gain, and especially the use of charitable status to cloak a business in a respectability which it may not merit.

The problem in preventing the Executive Officers from being Board members lies in the fact that those whose livelihood depends upon the arts organisation do not have ultimate responsibility for their own actions, while those who have ultimate responsibility, the Board, are unpaid volunteers. It is natural for Board members to feel that the organisation is basically under the control of the staff, and not unusual for staff members to resent the intrusions of this voluntary group, the Board. This not only sets up unhealthy tensions, it may also lead to decisions which are taken without a full sense of personal responsibility.

One possible solution to this would be to lobby the Charity Commissioners to change their view, which appears in any case to be imposed with different degrees of vigour in different places. An alternative would be to encourage the establishment of (small) Charity Boards or Councils, which have as subsidiaries a commercial company which runs the arts organisation and on which the executives would have full responsibility. We shall return to this possibility later.

Whatever solution is found to the problem of ownership and personal responsibility, it is hard to see why the practice which prevails in nearly all commercial companies should not prevail for arts organisations. That is, the Board being made up of senior specialists from within the company (Artistic Director, Marketing Director, Finance Director, Managing Director) complemented by non-executive directors who bring additional expertise, external contacts, and a degree of objectivity; and who provide checks and balances to keep the executive directors on the rails or, if things go very wrong, get rid of them and provide continuity during the period of succession.

Composition of the Board

From the existing Board's viewpoint the prompt to seek new members will often be a response to a current Board member's personal situation - job relocation or growing commitments elsewhere. Occasionally it will be a result of external

pressures by representatives of a funding body. However, the composition of the Board, in terms of its individual members, merits regular review. As stated earlier, most Boards are the product of the organisation's past. But as good planning procedures become increasingly evident in arts organisations, more careful thought needs to be given to the management skills and expertise which will be needed in the future, to enable the organisation to reach its goals.

This paper cannot devote space to a detailed consideration of how a Board goes about strengthening its composition, but a resume of the basics may be helpful.

The existing Board should conduct a skills audit of the present membership, perhaps with the assistance of a facilitator. A menu of the skills and experience which are necessary for the future health of the organisation should be drawn up, bearing in mind the organisation's objectives. The gaps between the two identify the areas which need attention. These will be addressed through the efforts of a nominating group, which will identify and shortlist possible new members for the Board's consideration. As potential Board members are approached they will be clear about exactly what sort of input they are expected to have, and how much time they will have to give, and perhaps what the maximum commitment (in years) is likely to be. There is a fair degree of fine-shading to the process, but essentially that is it. Regardless of the predictable complaints that there is a shortage of good Board members, the fact is that the process is tried and tested, and it works.

Change at Board level can be effected if the will is there to do so, and it is the responsibility of Chair and Chief Executive (Artistic/Administrative Director) to see that it happens.

What skills or experience does the Board need? Typically a mix of finance, legal, educational, personnel, marketing/PR and commercial/entrepreneurial. Every Board member should bring a commitment to the aims of the organisation and to the community within which it operates. And every nomination should be set against the need to achieve a balance of the sexes, and ensure a reasonable reflection of different sections of the community. In this respect the nominating group will set itself the task of canvassing widely for suggestions on potential board members in order to minimise the risk of perpetuating a board which only contains 'more of the same'.

Some arts Boards feel the need to seek artistic expertise at Board level. Some Artistic Directors wish the same. In both cases the motive may be suspect, that of seeking 'allies': on the one hand against the waywardness of the uncontrolled, wily and infinitely charming Artistic Director; on the other hand against the philistine amateur board members who can oppose an artistic programme. This is not to say that artistic expertise should be banned from the boardroom, but that one should be

very clear about why it is necessary to supplement the skills of the professional staff in this area.

Most important is to get the business and planning skills on the Board which are both going to complement the skills of the professional staff, and enable the Board to do the job which it is there to do in law and as a matter of good management: guide, support, monitor and control.

The business skills which may be helpful will not be solely professional skills. They need to be drawn also from the commercial manufacturing or services sector: retailing, advertising, banking, transport, information technology. There are still rich veins of skills which have never been effectively tapped by the arts. The wider we spread the net in this respect, the more we are selling the arts to the country as a whole.

Board procedures

There are fairly basic rules to running an effective meeting. They are often ignored or simply not known. Prompt issuing of minutes, advance thinking about the agenda, briefing key players in advance, ensuring that papers are issued sufficiently ahead of time for them to be read and absorbed, delegating issues which can be delegated to subcommittees or temporary task forces, and so on. Again, this is not the place to rehearse these needs or solutions in detail. What should be said is that there is a very clear need for both printed information (a handbook for the Board), and for seminars or awareness sessions to ensure that the key players are sufficiently skilled to do an efficient job: as Chair or as Artistic or Administrative Director. Care, Diligence and Skill, the Scottish Arts Council booklet, was an excellent stepping off point - more is needed.

Responsibilities of the board

"It is surprising how little guidance is available to people who become directors". Sir John Harvey Jones' comment based on experience in the commercial sector might just as well be about the directors of arts organisations.

A longer-established management guru, Peter Drucker, sees the functions of the Board being restricted essentially to:

- i) appointing the Chief Executive
- ii) ensuring that the company adheres to the law
- iii) agreeing targets and monitoring their achievement

If Board matters within the arts could be distilled clearly to these three areas, including the agreement of qualitative, artistic targets, a huge amount of time would be saved. The fact is that most Boards are very unclear about their purpose and the scope of their responsibilities. This is particularly unfortunate because it has such a major impact on the organisations for which they are responsible, and because it should not be that difficult to rectify through advice and training.

A sense of purpose can be achieved through the dynamic leadership of the Chair and Chief Executive/Artistic Director, for which we cannot easily legislate. It can also be assisted by a clear sense of contract between Board member and the arts organisation, and by effective planning procedures securing a sense of direction for the organisation as a whole, and placing the Board's monitoring and supporting role in a clear context. To return to John Harvey Jones: "Boards need to set themselves very clear tasks in exactly the same way that individuals do. Every year we [the Board of ICI] spend some time setting out what we consider to be the twelve most important tasks that we, as a board, should have worked towards during the year. We then take time out a year later to review what progress we have made, at the time when we are setting out next year's targets".²

If one cannot legislate for dynamic leadership I should add nevertheless that it is the responsibility of the Board to try to do precisely this when they elect a Chair or appoint an Artistic Director. Moreover, those who lack skills in managing meetings should be trained to acquire or improve those skills.

The issue of Board and senior officer training in the arts is moving higher on the agenda nationally. Initiatives are being taken by Business in the Arts, the Arts Council and others to explore ways of defining the Board member's role, functions and responsibilities; to clarify the sense of contract between Board member and arts organisation; and to develop suitable training for Board members to enable them to fulfil their responsibilities more effectively.

These developments are very welcome if rather overdue, and they require a shift in attitudes on the part of Board members and arts managers to neutralise the stigma of professionalism which still persists in Britain. We know that attitudes can be shifted, and that making better practice a condition of grant aid (and enforcing this) is one way of encouraging change within the subsidised sector. It is also, faintly, Stalinist.

Clarification of functions and training for Board members in some other countries has got off to an earlier start. In Canada, the Canadian Association of Arts Administration Educators produced a report in 1987 on management development needs for subsidised arts organisations. Subsequently, the Bronfman Foundation

² *"Making it Happen: Reflections on Leadership"* John Harvey Jones, London 1988, pp. 205-206

financed a handbook on arts management and the role of trustees, and co-operated with the Council for Business in the Arts to initiate a series of seminars. Distance learning packages are also being considered.

Accountability

The issue of accountability is a thorny one. Whatever structure one chooses, Boards are not going to be accountable to the community in any full, democratic sense (pace the box office), unless they form part of a local authority structure and are genuinely subject to the wishes of the electorate. Even here there are pretty narrow limits, as the arts are so rarely on the political agenda.

In a commercial organisation the Board would be accountable to the shareholders and one of their primary tasks would be to protect the shareholders' interests. In an independent, charitable company the Board is accountable to the members, but admission to membership will be controlled by the Board, if not synonymous with Board membership.

An example of spreading the ownership of an organisation, and thus the accountability of its management, is afforded by the plc approach which has been adopted by some railway enthusiasts for the acquisition and renovation of threatened narrow-gauge railway lines around the country. Now, the idea of the Board being responsible to a large group of individuals, whose rights were based on financial input, would fill most people working in the arts with terror. But without a sense of external accountability there is a danger of losing focus regarding the scope of the Board's activities, and also of becoming very insular. I believe this insularity is a common characteristic of many arts boards. The proposal below on granting limited 'tenure' of arts facilities would help to reduce this problem, but more thought needs to be given to potential solutions here.

Interventionism

Having raised the issue earlier of 'encouragement and control' from the funding bodies, some attention must be given to the implications of this.

Just as one cannot legislate for the chemistry of particular teams, or for the dynamism of a particular Artistic Director, so one cannot legislate for the quality of individual boards. We have to ask ourselves how strong we wish the encouragement of good practice to be. Some of the best or most effective Boards in the subsidised sector are good in spite of the interest, involvement or advice of the funding bodies. They have a good Chair who has built a strong team. These may be pretty rare situations. But they have the right to be left alone if they are getting the results, and funding bodies have a duty to be sensitive to this.

On the other hand, if the majority of Boards are fairly ineffective, how far should funding bodies or others intervene to make them effective? The Boards are using public funds, normally from several sources, and should not be allowed to use them inefficiently. But they are also independent organisations, and part of their motivation lies in their independence.

My feeling is that the benefits of getting it right at Board level are so great, and the penalties of getting it wrong so marked, that gentle coercion is justified, at least in ensuring that Board members and senior staff are made aware of the options for development and improvement, even if they are ultimately free to choose to ignore those options.

If good practice is established, and the industry is sufficiently aware of that good practice, it will spread during a period of a few years without the need to enforce a particular model. But the possibilities of change need to be broadcast, guidelines on Board practice should be prepared, and seminars for Chairs (and senior officers) on Board procedure and development should be a regular feature of the training landscape.

Local authority arts organisations

The discussion so far has concentrated on the independent, charitable sector. Local authorities have a major impact on the arts not only through their provision of funds for the voluntary sector, but equally through the direct provision and management of arts and entertainment facilities.

It will be argued that the flexibility, indeed the control over destiny, which is enjoyed by an independent organisation cannot be enjoyed by an organisation which exists within a local authority structure. A significant number of theatres and galleries are local authority facilities, and may have no Board or committee but be responsible to the Libraries and Arts Committee or the Leisure Committee.

The pros and cons of being within the local authority will depend upon particular circumstances, but in broad terms the advantages include fewer cash flow problems, better terms and conditions of employment for the staff, and normally a higher level of financial input than would be enjoyed by an independent organisation, because the authority's elected members regard it as 'their' theatre or gallery.

The disadvantages include the dangers of too close control of the programming policy, which may even border upon censorship when there are sensitive subjects at stake; slow and cumbersome decision-making procedures; difficulties in securing additional finance from other sources (e.g. sponsorship); and a depressed status for their Executive Officers in the organisation (who may be perceived as fairly low

level officers within the local authority as a whole).

There have been examples where an arts organisation has benefited significantly from being part of the local authority. Cardiff New Theatre is an interesting example. It was adopted into the local authority following financial difficulties as an independent organisation. That is, the price of salvation was ownership.

There are, equally, examples of a local authority taking the arts on board in a very wholehearted way through independent organisations. From the late 1970s Hampshire County Council's involvement in the arts expanded considerably, grant-aiding a growing number of independent organisations, and helping to resource a common marketing service. The personal interest of the Leader, the Chief Executive, and a few key councillors, encouraged by an effective Arts Officer, lay behind this positive investment. In the early 1980s the GLC's arts budget expanded phenomenally under the Tony Banks regime.

Alas, a short-lived phenomenon. In present times one would cite Birmingham and Glasgow as examples of what a local authority can achieve in this respect.

The issue here, however, is not who is spending the most, but what is the best management structure for the arts. Despite the clear benefits of harnessing civic pride by working within a local authority structure, for most organisations the disadvantages will be greater. The principal disadvantage is the lack of flexibility in terms of management and decision-making structures, and the lack of flexibility in terms of income generation. In an environment where change is the norm, cultural organisations must be in a position to adapt quickly to external opportunities and threats. The independent organisation, with its own management, is in a stronger position to adapt quickly.

This raises a problem. It is still the case that many new cultural facilities come into being because of the will, enthusiasm and duty to the community of the local authority. Indeed, with one or two exceptions I cannot call to mind any major regional arts development in recent years which has not either been initiated by the local authority, or been heavily dependent upon the local authority's support.

It is difficult to envisage a situation where local authorities (ie groups of people) are expected to go through the process of determining the need for a facility, planning, financing and providing that facility, and then to hand it over to someone else. The sense of involvement demands the reward of the benefits and pride in ownership or, at the least, not letting someone else make a mess of it. Yet for the sake of the effective management of the facility, handing it over may be the best thing for it.

Contract culture

One possible development in the management of local authority facilities, and solution to the problem of 'ownership' is evidenced by the Beck Theatre in Middlesex, where the local authority created and owns the building, but has contracted out the management of it - currently to an independent commercial organisation, Hetherington-Seeling - but it could equally be to a non-profit distributing organisation. Similar steps have been taken at the Empire Theatre in Liverpool and, more recently, the Shaw Theatre in Camden, and discussions have been taking place regarding the Newcastle Playhouse. In the case of the Empire, the Apollo Leisure Group assumed management, following the demise of the County Council; and in the case of the Shaw Theatre, Plug Productions put a proposal to Camden Council, paying a rental for the building, which had been costing the Council in excess of £300,000 per year.

One would want to see a number of well-documented examples before encouraging this contracting out structure on a nationwide basis. But it has become increasingly common practice for sports, leisure and heritage facilities. And it has the considerable virtue of building in the right to attract stronger management or more imaginative programming on a regular basis: in effect the right to review the degree to which the community are enjoying the benefits which were intended.

A good deal of impetus has been gained by contract culture in recent years, largely as a result of government ideology. This has major implications for the relationship between local authorities (and central government) and the voluntary sector. It seems unlikely that the arts will be exempted. The National Council for Voluntary Organisations has produced discussion documents on the subject: "The contract culture will not go away, but nor should it be welcomed with open arms. Voluntary organisations must try to shape it to minimise the dangers and maximise the opportunities".³

In the case of the arts, the dangers lie in major facilities being hived off, probably to commercial organisations, with very limited agreement on the nature and quality of the activities which are to take place. "Statutory agencies are replacing open-ended grants with more tightly specified contracts . . . [they] are also contracting out services to voluntary organisations. This includes residential care, socially affordable housing, special education, management of open spaces, estate security, community centres - and many other aspects of public service provision." Should voluntary organisations take on these new responsibilities? What impact will they have on the nature of their own organisation and on their management systems?

³ *Responding to the Contract Culture, NCVO, December 1990*

Setting aside for one moment the political considerations, there may be some potential within contract culture for improving the effectiveness, sense of direction, and accountability of many arts organisations.

Let us consider a possible model. Each organisation could have at its centre a charitable trust charged with ensuring that the basic mission of the organisation is fulfilled (in local authorities the trust might be the appropriate committee), providing a vehicle for fund-raising, and enjoying the fiscal benefits of charitable status. This trust could, in turn, assign the day-to-day management of the organisation, on say a five yearly basis, to an independent company, which would employ the staff and implement the policy.

The need to bid for an arts "franchise" in this way would have two disadvantages: absorbing management time, and encouraging short-term thinking. It would be difficult to envisage a building-based chief executive (a gallery director or arts centre director) taking long-term capital developments seriously, if their tenure was so clearly delineated.⁴ But the bidding process would have several distinct advantages:

- * forcing the management to be clear about what they are doing during the next planning period
- * subjecting the management's plans to closer scrutiny than they are likely to come under in the normal process of grant-aiding
- * encouraging the establishment of a coherent team, rather than being over-dependent upon the skills of a single individual (the Director)
- * encouraging more coherent resource planning both at an organisational and a strategic level
- * ensuring regular reaffirmation of the mission of the organisation, and review of the degree to which the community is receiving the services intended
- * encouraging closer links and partnerships between those with experience in the non-profit sector and those from the commercial sector, through joint proposals.

In effect, rather than an Artistic Director or Chief Executive applying individually for a job to a Board of Management or a local authority, a team comprising Board

⁴ Although it is already common practise for capital investment to be agreed at the commencement of a contract in the case of franchising out the catering or bar facilities.

and senior staff, formed into a company, would apply to a trust or local authority and would be judged on track record, a fairly detailed plan for the organisation, and the strength of the team. The degree of detail, and the nature of the tendering procedure, would be determined by the trust as would the evaluation procedure for examining the viability of specific proposals, and the degree of protection afforded to existing non-management staff. Here a warning note must be sounded. Under present compulsory competitive tendering procedures (CCT) as applied to local authorities, there is virtually no scope for the local authority to specify minimum wage requirements or other matters related to contract compliance. Given the poor wages, terms and conditions which apply to most producing arts jobs, and the hostility of many commercial operators to improving them, some protection would certainly have to be built into the system.

Tendering for franchises is not new, even in the subsidised sector. It took place in the early 80s in the South West with companies bidding for the right to provide touring theatre to the region. In a sense, even Arts Council three-year funding is a mild form of franchising. The difference here is that there is a separation of those who have a duty to the long-term interests of the arts facility and the community it services, and those who have responsibility for its daily management. Naturally, it raises questions over how the funding body would relate to the decision-making process, but presumably they could be closely involved to prevent the granting of a franchise to an organisation they were not prepared to finance.

Commercial sector

The distinctions and mutual distrust which have existed in the past between commercial and subsidised organisations in the arts are perhaps now rather diminished, partly because commercial organisations are more frequently in partnership with subsidised ones to initiate projects or productions, and are therefore indirectly benefiting from subsidy.

Where subsidised organisations have embarked upon major commercial ventures, there has occasionally been headline-making trouble. From the RSC's *Carrie* or the collapse of Upstart Productions (an Arts Council-financed commercial theatre company) to Glasgow's Glasgow the signs are not healthy. There have, nevertheless, been some very beneficial partnerships. What then do the arts have to learn from the commercial sector in terms of management?

Entrepreneurial decision-making is very different from committee or Board decision-making. The typical hub and spokes structure of a commercial producer's office, or of a small commercial gallery, ensures that a high proportion of decisions are made by the owner-manager, and they will often be made quickly and without reference to others. The advantage is speed and timesaving, the disadvantage is failing to consider as much information as should be considered

before reaching a decision. We are at something of a disadvantage in reviewing the commercial against the subsidised, however, because most of the ineffective commercial operations do not exist - they go out of business - whereas it is possible for an ineffective subsidised organisation to continue in business for years, much to the chagrin of the commercial sector.

I will draw only one lesson from the commercial sector, which is that there is little point in the subsidised sector trying to emulate it. Resources are placed at far less risk if joint ventures are undertaken than if the subsidised sector endeavours to compete with experienced commercial operators. And such joint ventures do not need to be limited to, for example, links between the commercial and subsidised theatre. Local authorities and film companies have begun to invest jointly in films.

Board free arts organisations

A number of arts organisations operate without a Board or management committee. They are normally co-operatives. Their main disadvantage lies in the risk to which the members are exposed in the event of losses being incurred. They have the advantage of providing the opportunity for self-governance where this is important.

Certainly, where an organisation is modest in scale, or even temporary in nature, it would appear inappropriate to create the elaborate structures described previously in this paper. The establishment of a company may seem disproportionately expensive, and the absorption of time in setting up the right Board (and indeed their time in attending meetings) may be questionable. But modest arts organisations and individual artists are as entitled to effective management support as any other, so how can we achieve this? At present, the 'set your own company up' route appears to be the only option.

One alternative would be the establishment of Community Arts Trusts to provide management support and an appropriate structure for small, temporary or start-up arts enterprises. These would be umbrella bodies providing the legal and charitable framework for such enterprises to shelter under. Where the arts organisations grow, or become more permanently established, they would be encouraged to set up an independent structure.

This would provide greater flexibility, allowing the arts organisation in its early days to develop or decline more on the merits of its creative strengths than on the willpower of its Board. It is less than heresy to suggest that where there is not major capital expenditure involved, some arts organisations ought to be allowed to fade away when they have passed their sell-by date, their most creative period, to be replaced by others. It would be the responsibility of the Trust to make

decisions as to which ideas and individuals they wished to nurture - which does not mean that others would not continue to exist.

Executive staff

I have already suggested that the senior officers of arts organisations should be members of the Board. At present it is not unusual for the marketing officer or finance officer to be denied access to Board meetings, let alone become a full member. One unfortunate consequence of this is that the increasing sophistication of arts marketing has been slow to percolate up to Board level. For some years senior marketing staff at the Arts Council (and the Museums and Galleries Commission) have been having a very positive effect in professionalising this aspect of arts management. Slowly, the directors and administrators have become more familiar with marketing concepts, and indeed felt less threatened by them, but for many Boards this is still new territory. There is a job to be done in heightening awareness, and with it, raising the status of the 'non-creative' staff.

How an organisation should structure its staff depends very much upon what it is trying to achieve. Just as effective planning procedures can clarify the purpose and role of the Board, so they can lead to greater clarity with regard to staffing levels and structures, training needs, and communication systems. There is a broader issue, however, which is to what degree arts managers are skilled at the business of management. 'Management' implies staffing, leadership, organisation, decision-making, resource allocation and, above all, planning. For some, a number of these come naturally. For most, they are skills which have to be acquired.

Although there are a growing number of short training courses, perhaps too many, they are not addressing all the industry's needs in terms of management development. Moreover, there is a major problem in that most of the executive level staff are conspicuous by their absence. They send other staff on such programmes, rather than themselves. Is this time pressures, fear of exposure, lack of self-awareness, or a lack of confidence in the quality of training available? Business in the Arts has taken an important step in organising bursaries for senior staff to attend high-calibre management training programmes, but this will only benefit a handful of individuals and their organisations. A great deal more needs to be done in this area in the next few years.

This paper is not directly concerned with training, but the most effective management structures within individual arts organisation will not be sustained without arts managers who are trained in personnel, organisational and interpersonal skills. My observation would be that lack of awareness in these areas has resulted in the majority of arts organisations veering towards the autocratic. However their organisational structure is portrayed on paper, the

hidden illustration would show a tall triangle, with far too much of the decision making being reserved to the top tier or individual. This is not only inefficient, but frustrates the development of many of the people within the organisation. For a 'people-based' industry we are not yet very adept at developing our people.

In this respect I believe that the introduction of National Vocational Qualifications will be highly beneficial. NVQs will be linked to standards and competences which have been defined by consultation with practitioners within the industry. These standards will give a much clearer framework for managers and for training providers - to define jobs more clearly and assist with recruitment, and to structure training more coherently. It is not too much to hope that this will lead to greater awareness of management skills and competences and this, in turn, will lead to more effective internal management structures, which should not be imposed according to a specific model or template.

Income generation: the management implications

Arts income may take a number of forms, both earned and contributed. The following, which is by no means an exhaustive list, gives an indication:

- local authorities
- Arts Council of Great Britain
- Regional Arts Associations
- Area Museum Councils
- Museum and Galleries Commission
- European Social Fund
- European Regional Development Fund
- Department of the Environment
- sponsorship
- catering
- grant making trusts
- corporate patronage
- membership
- legacies
- special events
- box office
- retail sales
- lettings
- royalties
- licensing.

If we assume that most governmental sources of income are likely to remain static or in slight decline during the next few years, what are the implications of gearing up to maximise income from other sources ?

Box office (or entrance fees in the case of museums and galleries which charge) is dependent upon a range of factors, from programme choice through marketing to demographics, transport and the state of the economy. Of course, some of these factors are well beyond the control of the arts organisation. In the case of those which are internally controlled, the key issues will lie in the dominance of programme-led or marketing-led planning. Some may deny there is such a distinction, because of course we know what the people want. The history of too many arts organisations, and the abysmally low position the arts hold on the political agenda, would seem to disprove this.

Regarding programme-led planning, those organisations which have had the greatest freedom to generate new work in the recent past have, in my view, produced some of the most exciting work around -- they would include some of the small-scale touring theatre companies and small or middle-scale dance. They are also the companies which have experienced the greatest financial problems, or rather which have proved most vulnerable to policy shifts from funding bodies. Small-scale touring theatre is in trouble; small/middle-scale dance has virtually disappeared. The prominent difficulties of many larger companies have grabbed the headlines more, and I dwell on this only to emphasise that by force of economics and arts policy we have been moving into an era when marketing-led planning will be dominant. The most wide-ranging implications of this will lie in the type of artistic work which takes place, and the type of strategic alliances which take place also. The performing arts would do well to regard the independent film and video sector, for example, where the (idealistic?) aspirations of a few years ago are beginning to lead to a phase of opportunism and alliances which are none the less significant in their potential to bring new work to the light of day, but which may lead to a narrower programme range.

While the matter of programming choice, however, lies beyond the scope of this paper, marketing-led planning also has implications for the internal management structures of arts organisations, and for the composition and structure of the board or management committee.

A small but increasing number of theatres now have a Chief Executive instead of an Artistic Director heading up the staff. Marketing officers/directors are given higher status than they were a few years ago, although they still feel undervalued, largely because of a lack of understanding at Board level, or a lack of necessary consultation in the process of programme choice. Box offices up and down the country are installing increasingly purposeful computerised systems, providing management information to assist in future planning and marketing.

The nature of the decision-making process is affected by these developments. A management team reaching planning and resource decisions will replace (is replacing) the individual decision-making of the Director. Even in the national

companies this is slowly beginning to happen, although you might not believe so, talking to those who are supposed to be responsible for financial control and complain of the maverick attitude and antics of their artistic leaders.

In the US in recent years there has been a growth in the marketing and development (fund-raising) functions to the point where the overall administration of the arts organisation is so large as to be virtually unrecognisable from a UK perspective. More than a few US Artistic Directors resent this evolution, but where they are that much more dependent than we are upon generating earned and contributed income it is inevitable. I believe that in a milder form this is what will take place in the UK over the next decade - an increasing proportion of the resources devoted to the marketing and fund-raising functions. In most middle and larger-scale, building-based organisations this is a process which has been creeping along for a decade or two: it will accelerate and spread to the smaller organisations also. Naturally, there will be resentment at this apparent diversion of funds from the artistic product, but those who fail to attend to and professionalise their marketing and development functions will struggle to survive.

Apart from devoting finance and status to marketing, and involving the marketing staff in programming decisions, there are other implications. In some cases, to attract marketing staff of the right calibre it will be necessary to pay them the same or even more than the Chief Executive. The arts industry has a general problem in attracting or retaining senior marketing staff, finance staff and technicians: most of them can earn a great deal more in other industry sectors when they have a few years experience behind them. How many arts organisations will be able to swallow this aspect of market forces?

To suggest that the marketing director should be paid as much as executive level posts, and should be closely involved in planning and decision making, is for many arts organisations highly unpalatable. To suggest otherwise in most successful commercial businesses would be regarded as lunacy.

In addition to implications for recruitment, remuneration and decision-making processes, there are others too.

First, it will be increasingly important for the executive level staff and the Board to have some knowledge and awareness of marketing techniques: not the sort which suggest that if you have not seen a poster for the current show in your local pub the marketing department has failed, but the sort which identifies which pubs if any should be targeted, and how effective posters are within a campaign. There is certainly a higher level of awareness now than there was a few years ago, but there is a long way to go in this educational process.

Secondly, it will be necessary to ensure that Boards have marketing professionals

on them and/or media representatives - not to do the work of the marketing staff, but to encourage informed debate at Board level, and to provide the marketing staff with a temporary task force or subcommittee who are sufficiently skilled when particular issues or developments need to be tackled, and the marketing staff require a sounding board.

Thirdly, management information systems need to be improved to facilitate the flow of information about the results of programming and marketing (and within this pricing) decisions at a speed which makes it useful to inform future decisions. The computerisation of box offices is now reaching a level of sophistication which places the right tools there - there is still a substantial programme of education required to ensure that arts managers (and marketeers) are sufficiently IT literate to use this effectively. Many a successful commercial producer will say this is all irrelevant, it is the 'nose for the business' and the entrepreneurial spirit which count. There is a good deal of truth in this. But running an arts facility (such as an arts centre) where a couple of hundred performances of sixty or seventy different events are being marketed simultaneously is highly demanding. Doing so without the best marketing assistance available is foolish.

Apart from box office there are a number of other opportunities to generate earned income - fees, lettings, licensing, product exploitation, merchandising, retailing, catering, joint promotions, and so on. It is not my intention to discuss the detailed implications of each of these, particularly as some of them will apply to only a small proportion of arts organisations. But it is clear that new skills at staff and Board level may be necessary if some of these doors are to be unlocked to the arts, and that this may require either an importing of expertise from other industries, or the transfer of skills between one arts organisation and another: this may become increasingly difficult to achieve as competition within a limited market grows.

Turning from earned to contributed income, only the major national companies have exploited the range of income sources available to them with any degree of thoroughness, and even here their policies tend to be determined as much by personal preference and politics as by a hard-nosed look at the opportunities available.

Sponsorship, corporate patronage, corporate membership, grant making trusts, individual donations, covenants, legacies, gala nights, friends schemes, and more: most arts organisations have barely scraped the surface of the possibility of tapping into their audience's sympathies or snobberies. While a small minority have become highly skilled at stimulating contributed income, many spend a bit of time on sponsorship, decide it isn't worth the candle, and give up on 'fund-raising'. This is very understandable. Overworked and underpaid, the last thing most arts managers wish to be faced with is demands to go out and raise ten or twenty

percent of the budget, on top of managing the political liaison which goes with the process of grant-aid and, incidentally, managing the organisation as well, which is what they thought they had been employed to do in the first place.

Most Boards and most arts managers themselves do not believe that fund-raising or development merits investment. There is a slow dawning that you have to devote resources to fund-raising (time, publicity costs, hospitality), but it is painfully slow. The concept of 'speculate to accumulate' still raises the spectre in the communal arts mind that whatever we spend on fund-raising is all risk. What happens, who carries the can, if we don't raise what we have spent? The huge risks which are taken routinely in arts organisations for the sake of particular programming decisions are conveniently forgotten.

My experience is that many arts managers and Boards will resent and argue at length over a few thousand pounds being devoted to fund-raising/development but will kiss good-bye in a few moments to tens of thousands (or more) on an unnecessarily expensive production, an over-run on costs, or a poor programming decision. This is not a declaration of war on artists, it is a criticism of the decision-making processes which we have allowed to develop in many arts organisations. It is of course commonly recognised in the commercial world that the time a Board or committee devotes to taking a decision is in inverse proportion to the sum of money involved.

There is a further complication. If arts managers or Boards do not know much about fund-raising, how can they make a commitment to it, or decide which parts of the fund-raising mix are appropriate to their organisation?

Here, ignorance is no defence. If an arts manager or Board, for lack of knowledge, is failing to maximise the income of their organisation and therefore failing to maximise the resources devoted to the art-form (and to employment generation), they are failing in their responsibility to that organisation, its community and the industry.

I do not imply that all arts organisations have equal access to sponsorship or to income from Gala Nights in the presence of royalty. Their potential for contributed income will vary greatly. But possibly the greatest growth area in the future will be the acquisition of additional income from the audience/visitors over and above their box office charge. Donations and corporate donations can flow first and foremost from those who already have a sympathy with the work the organisation is undertaking, and this is as true for the small and middle-scale organisation as for the largest and most prestigious. For this reason too, improved management information systems and data gathering systems are highly desirable. I refrain from saying 'essential' only because of one West Coast US theatre I visited where information on a subscription list in excess of 50,000 had been

collected and held manually, using triplicate forms like Visa slips. If the will is there, technology is merely an assistance, not an essential requirement.

In encouraging growth in contributed income the first issue is how to educate arts executives into an awareness of the opportunities available to their organisation, where this is necessary. Secondly, how to persuade them that investment is worthwhile. And thirdly, to ensure once again, that the fund-raiser or development officer (or whoever has responsibility for this function) is involved in decision making and forward planning.

The first issue is one which can be tackled by the strategic agencies, and independent training organisations, not just through the one day seminar on sponsorship or the short-lived ministerial intervention on marketing or incentives, but through conference sessions, use of the arts media and consistent dissemination of good practice, in the patient, sustained manner of ABSA.

The second issue requires demonstration not only of the returns in cash in the short/medium term, but of the longer term rewards in cash, connections with the business community, positive PR, group bookings and so on. All that is required of the arts manager and Board is a reasonably open mind.

There is a problem in how long most arts managers and Boards who have not been involved in fund-raising expect to wait before the cash begins to flow. It is a common problem in fund-raising - the nervous point a few months after the investment has been committed, but before the rewards are evident. There is really no solution to this problem, unless a lucky break is regarded as a solution. In most cases it is a question of holding one's nerve and avoiding precipitate action. Such action is evidenced by the deeds of a Director of a theatre who sacked the theatre's first development officer after a few months because (totally unrealistic) targets had not been achieved. Had the Director treated the theatre's commissioned writers in the same manner, the stage would have been empty for the previous decade.

The third issue, involvement in planning, will raise the hackles of many in the arts, because it smacks of artistic dictatorship, with the fund-raiser or sponsor dictating. Perhaps these fears are inevitable in a time when decision-making procedures are changing, and greater consultation is called for in the management of the organisation. I would regard this as healthy growing pains, not as a serious threat. The fund-raising takes place in a market just as much as the artistic product does, and must consider the needs and trends of that market. This does not necessarily imply changing the artistic product to suit the funding, but it may imply changing the proposition which is put to the funder, the 'package', or what sources of financing are targeted.

I believe much of the distrust of fund-raising and other income generation arises

not only from a lack of knowledge but also from the beleaguered feeling of many executives in the arts. It is hardly surprising. In the case of the newly appointed Artistic Director we expect them to start from scratch and create their own team, while developing the artistic product, playing all the necessary political games, raising funds and (increasingly) negotiating deals and partnerships. The artistic work suffers as a consequence, and the finances are often in a state of shock.

Only by creating more appropriate management structures, spreading the management pressures more evenly at Board and senior staff level, and providing the training to ensure that the necessary skills are in place will we create a situation in the '90s where strong artistic work can develop, and the financial resources be secured.

Recommendations

To conclude, I would address a number of recommendations to different sectors of our industry:

To Board members:

Consider the composition of the Board, and the existence of sub-committees, in the light of the future direction of the organisation.

Actively seek new Board members as a matter of regular practice, not a reaction to external pressures.

Canvass widely for new blood to prevent the Board's skills and background constraining its future development.

Consider the senior/executive staff as part of your team, just as they would be in a successful non-cultural organisation.

Consider the qualitative and quantitative criteria (performance indicators) by which you should measure progress in your organisation.

Set targets for the Board as well as for the staff.

Respond positively to training provision, and advise the Arts Council and Regional Training Centres on perceived training needs.

To Boards and executive staff:

Consider separating off the management of commercial activities, and seek specialist Board members for these subsidiary companies or sub-committees.

Consider establishing the management of the organisation as a commercial subsidiary of a (small) charitable trust, to enable membership of the management body to include key staff.

Place management and Board training high on the agenda for action, and allocate resources accordingly.

Give appropriate status and respect to senior marketing staff and other key players in the organisation.

Be open-minded about the income-generating opportunities facing your organisation.

To executive staff:

Consider the Board as part of the organisation's management, and assist in its development accordingly.

Assess your strengths and weaknesses. Seek management training where appropriate.

Work to raise the status of key staff and encourage their attendance at Board meetings.

Ensure that you have a staff development policy in place, to nurture the skills which your organisation needs for the future.

Delegate.

To the Charity Commissioners:

Reconsider the acceptability of professional staff being Board members - the present restrictions are not necessarily in the interests of effective charity management, nor, therefore, in the interests of the community.

Provide guidelines on the issues which charitable organisations need to consider when working within contract culture.

To the Arts Council and Regional Arts Boards:

Give priority to the provision of Board guidelines and training through seminars, publications and other materials.

Encourage debate on systems of accountability for arts Boards.

Encourage links between the subsidised and commercial sectors, but do not try to emulate or compete with the commercial sector.

Establish Community Arts Trusts to provide umbrella legal and management structures for small or temporary arts initiatives.

Consider how contract culture could benefit the arts. Introduce a small number of model developments to fine-tune the tendering and contract procedure.

Provide increased support for management training throughout the industry.

Ensure that where new developments in management procedure are being implemented, there is industry-wide awareness of such developments.

To local authorities:

Consider how arts facilities can be given greater delegated authority, or whether they would benefit from independent management.

In the light of compulsory competitive tendering, advise on how this could best be handled in the case of arts facilities.

Liaise with the Regional Arts Boards on the establishment of Community Arts Trusts.

To the business community:

Seek active involvement in the arts at Board level, in a consultancy capacity, as trainers, and in other ways.

Ensure that you receive effective induction into the arts industry, and into the individual arts organisation with which you are concerned.

To central government:

Consider providing financial incentives to encourage local authorities to establish independent management for their arts facilities.

Give the industry the time and space to come up with its own improvements in line with the industry-led approach which has been adopted in the case of the National Vocational Qualifications.

Provide incentives for change, not imposed solutions.

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