Sitting on an arts board requires an intricate balance of artistic purpose with an understanding of the bottom line. Christopher Niesche explains what directors need to know.

Feature

AN ART FORM

Opera Australia chairman David Mortimer AO FAICD, sums up one of the main challenges of steering an arts company board. Just as directors on corporate boards weigh up investment decisions that management brings to them, arts directors also consider the program of productions or shows – but with a key difference.

"In our case, all of the operas, generally speaking, are producing a negative margin. So it is a question of making sure you’ve got programs that will produce the least negative margin and consider how you can make up the difference and whether you’re able to afford it," says Mortimer. The idea of a corporate chair assessing an investment by how little money it will lose is unthinkable. But it exemplifies the key difference of an arts board – balancing the artistic purpose with the bottom line.

"I think the real challenge is the desire to do things that are innovative, that are, if you like, not necessarily going to generate mass appeal at the box office, but which will develop the artistic capability of the company versus the commercial viability of that organisation," says Mortimer who is currently a director of Petsec Energy and a former chairman of Australia Post,
THE REAL CHALLENGE IS THE DESIRE TO DO THINGS THAT ARE INNOVATIVE, WHICH WILL DEVELOP THE ARTISTIC CAPABILITY OF THE COMPANY VERSUS THE COMMERCIAL VIABILITY OF THAT ORGANISATION.

David Mortimer

Leighton Holdings, and Sydney Airports Corporation. Opera Australia confronted this when considering whether to bring superstar German tenor Jonas Kaufmann to Australia for a series of concerts. The board grappled with the decision, looked carefully at pricing, the capacity of Sydney and Melbourne theatres, the sort of audience Kaufmann could be expected to command, and other factors that would affect the tour’s commercial success.

“That was a very expensive concert because we brought out the world’s best tenor and we had to make sure, in doing that, that we didn’t expose Opera Australia to financial loss,” Mortimer says. “We grappled with that decision just as you’d grapple with an investment decision in the business sector.”

On an arts board, this is usually where the commercial intersects with the artistic. The Perth International Arts Festival, for instance, uses a sophisticated risk matrix to assess the potential of a performance, which maps performances against other performances and assesses their commercial risk, the audience familiarity with the style of work and therefore its perception of risk.

Differing needs

Sydney Symphony Orchestra (SSO) chairman Terrey Arcus AM FAICD, says the specific needs of arts companies make them more complicated than corporations to lead.

“An arts organisation is a creative idea driven service enterprise. The complexity comes because you have got two streams of endeavour that are quite different,” says Arcus, who founded Port Jackson Partners with Professor Fred Hilmer AO in 1991.

For the SSO, this means great music and artistic leadership running parallel with business and financial leadership. In order to motivate and stimulate the creative side of the organisation, egalitarianism and a light touch are needed.

“In parallel, you need to run the company responsibly. This is important but it is not the primary driver. And so, you find yourself needing to separate to accommodate the difference, but also integrate to bring it together to a cohesive whole,” Arcus says.

Arcus says SSO has a specific board committee that looks at finance, accounting and risk. “That’s managed really tightly because we’re careful about husbanding our resources and doing the best we can with what we’ve got. But you can’t apply the same sort of control intensity to the main driver of the organisation, which is creative and artistic,” Arcus explains.

“The SSO aspires to be one of the world’s great orchestras so the board supports the artistic director in encouraging the musicians to that end and the CEO to assemble and manage the resources and lead

SKILLS FOR AN ARTS BOARD

The one attribute that most arts directors nominate as a prerequisite for joining an arts board isn’t a skill at all – it’s passion.

“You’ve actually got to have a passion for whatever the organisation’s doing, I love classical music. If you don’t genuinely love that then it’s really hard to put the time in that is required and to be a passionate advocate,” says the Sydney Symphony Orchestra chairman, Terrey Arcus AM FAICD.

Wendy McCarthy AO MAICD of Circus Oz expresses similar sentiments. “It’s about an appreciation and a love of the arts and a belief in the power of the arts to change brains and lives and cultures and to hold ourselves up in the mirror,” she says.

While a passion for the art form is a prerequisite, board members don’t necessarily need experience in the art form to contribute, say the National Gallery of Victoria’s Council of Trustees president, Bruce Parniczky. As with other boards, the mix is important. “The board certainly does have people with specific arts knowledge but you’re also recruiting people to bring other capabilities and qualities. I think a business person can contribute to an arts board from day one,” he says.

“We can all go to the exhibitions and we can all enjoy them at various levels, but we primarily see our role as finding the best people to run the institution and giving them the room to run it.”

Opera Australia is soon to undertake a governance review, which in part will look at board composition and the skills mix, says Opera Australia chairman, David Mortimer. “We will have a close look at the continuity of our board, whether we should change it, at what intervals, the composition, have we got the right composition of skills, do we need to bring in more people with unique opera skills or orchestral skills or industrial relations skills.”

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John Barrington
the SSO to ‘climb that mountain’.

Steady momentum is important because of the long lead times. For instance, now in the middle of 2015, the 2016 program is locked in and the company is firming up 2017 and 2018. "We are currently building on the momentum of the Ashkenazy [Russian pianist and conductor] years through the inspiring leadership of David Robertson," says Arcus.

Board duties
Along with a report on the finances, the board also receives a report on the artistic merits of each performance and this raises the issue of how a board can make judgements over artistic matters, and to what extent it should.

The performance of a widget maker, for instance, can be assessed by a variety of quantifiable measures, but artistic merit is not quantifiable in the same way. Most directors say it is not the job of the board to assess artistic merit, but to employ people such as artistic directors who they are confident will perform well.

John Barrington FAICD, chairman of the Perth International Arts Festival, says the board’s job is to select, then back, the artistic director, who changes every four years.

“It’s helping the organisation perform and deliver the artistic vision. That’s what the organisation has to do — deliver the artistic director’s vision,” he says. “The oversight is understanding the risks and balancing of the risks against the artistic endeavour, because the creative process is inherently risky.”

Barrington says another challenge of an arts board is how does one company look after itself, while simultaneously try to help grow the whole arts sector, rather than doing everything it could to dominate “the market” as a corporation might. “There is an idea of ‘co-operation,’” he says. “You do compete for time and wallet but you cooperate as well and I think that companies cooperating within a state, or across Australia, is important as this encourages the whole sector to grow and therefore the entire society benefits.”

“For example, Perth Festival invests in a local engagement program to benefit the local arts community through direct collaboration with the international artists the festival presents each year,” explains Barrington.

Nonetheless, arts organisations are run by passionate, artistic people and they sometimes do not have the commercial and financial skills of a corporate leader. “On an arts board, there can sometimes be varying degrees of hands-on involvement in some of the business areas of the organisation because they tend to be led by people with a passion for their art form,” says Bruce Parnell, an investment banker and founder of advisory firm Lion Capital, president of Council of Trustees at the National Gallery of Victoria and a director of the Australian Ballet.

One of the key ways that a board can help an arts organisation is by helping with fundraising. Arts organisations around the country are under pressure as governments freeze or cut back funding. The National Gallery of Victoria, for instance, has had its government operating grant frozen at the same level for three years, while the gallery’s costs are mostly rising faster than inflation.

Management has found efficiencies and cost savings, and the board and management have focused on finding new sources of funding for new initiatives. “We’ve been fortunate that we’ve been given some government funding for new things, but we have more than matched that funding with additional sponsorship funding and additional philanthropic funding,” says Parnell. This is no mean feat in the current economic environment, when companies are cutting back or...

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reassessing sponsorships and philanthropy because of the soft economy. At Opera Australia, Mortimer has noticed that companies are less inclined to give. "I think people are still reasonably generous but the reality is the environment is much more complex today than it was even a couple of years ago," he says.

"So we have to make sure that we’re producing things that are attractive to that commercial sector."

Wendy McCarthy AO MAICD, chair of Circus Oz, says the board, in addition to its corporate responsibilities, needs to accept some responsibility for both fundraising and management support which might not be required in larger arts bodies with more staff.

For instance, after raising $18 million from the Victorian Government for a new home for the company, the building Circus Oz was to occupy on the site of the old Collingwood TAFE in Melbourne had to be redesigned and refurbished.

While there were considerable building skills within Circus Oz, the board oversaw the “big picture” project to ensure that proper process was followed. McCarthy was confident ahead of time that Circus Oz would win the funding, so fortunately had recruited to the board Nicholas Yates, who had overseen major construction projects with Transfield.

Arts boards typically operate like other corporate boards. The Circus Oz board, for instance, uses a dashboard reporting system; Opera Australia is about to undertake a board review to look at composition and recruitment; and most, like the SSO board, run committees such as a finance, audit and risk management committee and nomination and remuneration committees.

Being a member of an arts board is undeniably a prestigious appointment — one only needs to attend an opening night to see the sort of luminaries they attract. Yet most directors say that they have other motivations for committing the considerable time it takes to oversee an arts organisation, work that is usually undertaken on a voluntary capacity.

For many directors, the initial response to why they joined the board is because they were asked, but there are usually other motives as well. The SSO’s Arcus says he comes from a humble background and has done well due to the opportunity of education, so joining the SSO board was a way of giving back. Also, they universally enjoy the art form they’re involved with and working with creative people. “It’s a very exciting area. You’re dealing with really dynamic and innovative thinkers and it’s inspirational and aspirational,” says Barrington. “It’s most uplifting.”

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**STATE OF THE ARTS**

Australians like to think of themselves as a nation of sports lovers, so it is surprising to learn that nearly all Australians consume at least one form of art and half participate in arts creation each year, according to the Australia Council.

The numbers reflect the importance Australians place on the arts, with 85 per cent of people saying arts make for a more rich and meaningful life, up from just 71 per cent in 1999, according to the Australia Council report, *Arts Nation – An Overview of Australian Arts*. “Never before has there been more engagement, participation or curiosity about art and culture in our everyday lives,” Australia Council chair Rupert Myer AM FAICD notes in his introduction.

The report states that broader cultural activity contributes $50 billion to Australia’s GDP, including $4.2 billion from the arts. Arts are defined in the report as literature, performing arts, music, arts festivals, visual arts, and Aboriginal and Torres Strait Islander arts, but exclude film and television and cultural institutions such as libraries, museums and archives.

In 2012 to 2013, Australian governments spent over $1.3 billion on the arts. However, since then, governments have cut or adjusted arts funding, including in the most recent Federal Budget. The main source of income to the arts is consumer spending, with ticket sales for performing arts events generating $1.5 billion in 2013 alone.

Arts organisations secured $221 million from private support such as philanthropy and corporate sponsorship in 2009 to 2010, according to the most recent data available.

Philanthropy is becoming increasingly important. In fact, by 2009 to 2010, philanthropic donations had become the dominant source of private sector support for the arts, overtaking corporate sponsorship. Donations grew from 42 per cent to 56 per cent of private sector support for the arts between 2001 to 2002 and 2009 to 2010, while corporate sponsorship correspondingly reduced.