Making adaptive resilience real

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1. Introduction

> ❛Everything has been said before, but since nobody listens we have to keep going back and beginning all over again. ❜
>
> – André Gide

> ❛It's not the strongest species that survive, nor the most intelligent, but the most responsive to change. ❜
>
> – Charles Darwin

> ❛Change is what I believe in. ❜
>
> – Michael Stipe, R.E.M

Like Darwin and Michael Stipe, the people who work or have worked for Arts Council England tend to believe in change. We believe in the transformative power of the arts. (When I wrote the first draft of this report, I was still employed by the Arts Council, hence the 'we' you'll find in this introduction.) We know that change from the current status quo is vital if we are to achieve great art for everyone. Innovation is one of our outcomes and drives the most exciting kinds of change in the arts, creating new forms, great new works, finding new solutions to old problems – and, indeed, identifying solutions to things we hadn't even thought of. But change can be more reactive than innovation – reacting to demographics, economics, politics and technology as well as achieving innovation in the arts – and many of the most intractable issues grappled with stem from these conflicted and potentially confused views of change, and those of the arts sector.

The Arts Council's investment strategy of 2007 and the reactions to it were as much about wrestling with this issue as about, regional, national and artform overviews. Healthy ecologies are very dynamic – and in order for the arts sector to be healthy over a long period, funding cannot be locked up in one group of organisations. Yet we feel somewhere, somehow, that there are key bodies, organisations and infrastructures 'we will always need', as well as arts groups that may bloom then fade or transform. But it's difficult deciding which is which, no matter how frequently you refer back to your guiding

values or how thoroughly you create overviews, criteria and assessment frameworks. This difficulty is, of course, exacerbated when considerations include cuts in public spending as well as the more normal process of review and renewal based on mission and strategy.

We struggle, at times, to define our terms sufficiently clearly, and to use those definitions to shape our decisions. The recession has challenged us to draw on reserves of learning from the last 15 years of capital and organisational development supported by programmes aimed at developing arts businesses rather than simply art product, programmes such as Stabilisation and Recovery, Thrive – Organisational Development and, most recently, Sustain. Despite this, there are still not enough fit-for-purpose mechanisms to invest in the future of organisations we believe in passionately. At the same time, we are also seemingly unable to walk away from those we know in our guts and our analysis are neither vital nor productive enough – or at least not without investing significant scarce resources.

Like many other funders, both public and private, we still fail to shape all our behaviours as a funder and developer to consistently create healthy attitudes and behaviours in arts organisations and artists. Although huge progress has been made in the last two years, the interviews I did for this paper still contained too many stories of what one could – were one being generous – describe as controlling behaviour by Arts Council officers, that made me feel very uncomfortable. In addition, existing funding streams, as acknowledged in the recent consultation, have come to seem limited in their ability to develop strong arts products and organisations. It is not simply greater diversity of funding or financing mechanisms that is needed, however, but the right models for investment and funding, and, indeed, an acknowledgment that there may be a distinction between the two.

You can imagine my interest then when I read the following paragraph:

'We recognise that the seeming paradox of change and stability inherent in evolving systems is the essence of sustainable futures. We now know that to counteract the current pathology we need policies that are dynamic and evolutionary. We need policies that expect results that are inherently uncertain and explicitly address that uncertainty through active probing, monitoring and response. However, we cannot successfully implement these new policies because we have not learned the politics and we ignore the public.'

Unfortunately, this does not come from a cultural policy commentator. It comes from the field of ecology, one of the founders of 'resilience thinking', C S 'Buzz' Holling, from whom the descriptions below draw. This, and other comments from the same article such as, 'The fundamental paradox is that change is essential, and yet stability is necessary' (Holling 2000), led me into an interest in the ideas relating to resilience in ecological and social systems. That innovation might be driven and embedded by moving through cycles of growth, consolidation, release and reorganisation, providing the opportunity to build resilience to events without becoming defensive or static seemed to open up conceptual and practical possibilities for arts policy and practice.

I came across specialists in the third and voluntary sector who were using these ideas to strengthen their work, by providing a greater context for their organisational development (eg Westley et al 2007). I also came across organisational and business thinkers whose work resonated with the basic tenets of resilience theory, most notably Edward Lawler and Christopher Worley, whose book *Built to Change* sets out a compelling picture of how to achieve sustained organisational effectiveness (Lawler and Worley 2006). The different 'versions' of resilience are explored in Section 5, so readers can gain a sense of the breadth of application.

In the belief that some theoretical understanding can inform practical and strategic choices, in Section 6 I set out a simplified version of the Adaptive Cycle and its four phases. If the arts sector moves through an adaptive cycle, like other ecologies, from the excitement of the

growth phase into consolidation as things become more stable but also more fixed and therefore vulnerable, into the disturbing release phase (also known as 'creative destruction') where things simply have to change, how do we best design the 'Reorganisation' phase? Adding in the notion of 'panarchy' and 'nested cycles' connecting heritage and innovation leads me to wonder what we need to keep, what we should let go – and, most importantly, what we need to invent. How suitable are different investment mechanisms for organisations of different scales and in different phases of the adaptive cycle?

This relates to the need to better describe an arts ecology, which I make an attempt to begin in Section 7. I highlight the centrality of the artist, and the importance of how an arts organisation positions itself in its locality and 'how the place works'. There are, of course, other things affecting the whole ecology – for example, economic and social cycles and the development of artforms or creativity more broadly. This needs more research and more brains applied to it to improve my sketch.

I then tested these ideas on some excellent, strong arts organisations, and have attempted to show how these ideas might apply to the arts sector, and what the implications for the Arts Council might be. In Section 8, I describe the characteristics of resilient arts organisations and sectors, which are:

Resources
• a culture of shared purpose and values rooted in a strong organisational memory, avoiding mission-drift but consciously evolving
• predictable financial resources derived from a robust business model and a range of activities and 'customers', allowing some financial flexibility to be retained
• strong networks (internal or external), with an absence of 'silos', and collaboration at all levels to make the organisation vital and connected
• intellectual, human and physical assets used to maximise impact in pursuit of core purpose, with appropriate investment in the creation and exploitation of new assets

Adaptive skills
- adaptive capacity: innovation and experimentation are embedded in reflective practice, with change seen as natural and actively prepared for
- leadership, management and governance provide clarity internally land externally, with clear roles and responsibilities and strong improvement focus
- situation awareness of environment and performance, with good gathering, sharing and consideration of intelligence and information to inform decisions
- management of key vulnerabilities is regular and integrated into planning and preparation for disruption

Organisations and sectors that consistently display these characteristics will tend to prove more resilient, be more productive and have more impact. In Sections 9 and 10 I explore the implications of this for how funding and development bodies should work with organisations to build these characteristics. I set out the need for a greater clarity around money that is *building organisations* and money that is *buying activity*, and the implications for the Arts Council in 'achieving great art for everyone'.

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.)

My recommendations in Section 11 focus on the urgent need to develop understanding and debate about adaptive resilience, and increasing sectoral understanding of its importance through experimentation and sharing of best practice. In a time of tightening resources it is imperative that decisions are made with a good understanding of likely implications to the whole arts ecology. To do this, we need greater collaboration and more peer support between funders and the funded, based on shared responsibilities

for that ecology. I see the publication of this report as one step towards increasing awareness of the issues and opportunities created by reframing some of our thinking about arts funding and investment, and am confident others will follow. I also recommend that funding programmes are shaped to consciously develop adaptive resilience, recognising the distinction between *building* organisations through investment and *buying* activity through revenue support for programmes of work.

I wrote the first draft of this report in my final weeks working for the Arts Council, in March 2010. At that time, the main intention was to assist colleagues in thinking through the theories and relevance of resilience, and to comment on the implications for potential new funding streams being considered as part of the Arts Council's mission of achieving great art for everyone. It was also timely, given the introduction of a new structure at the Arts Council. For me it was also a way of really getting to grips with some ideas I felt had potential, and helping to make those ideas accessible to others working in the arts. I feel much of the work on improving leadership and relationships will have limited impact on sustainability unless there is also a greater understanding of the full nature of resilience.

Since that first draft the scale of challenge the arts sector may face in relation to public investment has become clearer – although it will certainly shift again after publication. Savings will have to be made – by public, private and philanthropic investors, but also by audiences, and ultimately also by management teams and boards. The important thing is that they are made with as rich an understanding of likely implications as possible, and I hope this report will assist in this. The report was rewritten in June 2010, as the new government began to decide future policy, and as the Arts Council considered responses to its consultation *Achieving great art for everyone*. I have not attempted to include comments on all these developments, as the areas I discuss are, I feel, not limited to immediate funding scenarios or time-limited priorities.

It will not be for me to be part of deciding the design of Arts Council England funding streams, but I hope this perspective will be useful.

(I will also admit I wanted to say goodbye to the Executive Board by leaving them with something to think about. It's what they would have expected.) This is, therefore, in some sense a hybrid paper: personal and theoretical, conceptual and practical, internal and aimed at the whole sector and beyond. It has been written as an independent view and very much represents my own interim conclusions, rather than those of the Arts Council, and should be read in that light. I look forward to debating it, and improving my own understanding as a result.

There are many ideas I feel need further exploration, further iterations, further challenge. A number of potential areas for future research are referred to, most significantly the analysis of the arts or cultural ecology, which I believe Arts Council England and others should collaborate to develop. I will continue to work on this after my time with the organisation, in my own work.

2. Some caveats

This paper is primarily concerned with the potential application of models and theories. It is concerned with providing images, simplifications and hypotheses. As such, it should be treated with extreme caution. As some of the groundbreaking theoreticians of resilience have themselves noted, it is very easy to overstep the mark when applying theory to other systems:

> *'Generality is desired – but also to be feared. It is to be feared because once a theory is formed, once it seems to resolve paradoxes and once it passes some empirical tests, proponents are sorely tempted to extend its application beyond its natural context. That is particularly true if the theory emerges in the natural sciences and is applied to humans. The history of science is replete with such examples – some disastrous (social Darwinism), others usefully provocative (sociobiology and evolutionary psychology) and still others wonderfully over-ambitious (complexity theory?). It is not always so bad to reach beyond the theory's real grasp because the science-based efforts at least have a process, however lurching and inefficient, to test them. But caution and sharp questioning is essential.'* (Holling et al 2002)

This danger is exacerbated by the relationship between a funding body or development agency and its sector. It is important that 'resilience' does not become another Arts Council agenda – the post-2010 box for people to tick by generating 'Resilience Plans'. It is important to stress that 'resilience' is not simply about self-defence or self-preservation, but also includes continual adaptation and redesign in pursuit of core purpose – hence the preferred term used here of 'adaptive resilience'. Therefore, how Arts Council England uses and discusses this work is important. There are many models of resilience in practice and each individual, organisation and sector will find their own. The models I outline below depict what seem to be common patterns. Even so, they will not apply in all cases and may omit key traits of some systems.

Nevertheless, this paper *does* find parallels between ecological and social systems and the arts. (Or, probably more accurately, believes the arts *are* such a system.) It may help to think of these as similes or metaphors rather than scientific descriptions: the reader can then bring their own perspective to the accuracy or otherwise of the parallel, finding their own use or insight.

This paper does not propose either a comprehensive theory of resilience in the arts or a simplistic set of solutions to the challenges faced by all parts of the arts ecology. Wish for one as one might, there is no 'get out of jail free' card with which to crack 'alternative business models' or 'strategic commissioning' that will allow all current and future organisations to flourish whatever happens. So that the theory of resilience does not simply reside in the theoretical domain, however, the paper proposes practical suggestions that may be useful to various parts of the arts sector, in particular public and private sector funders including philanthropic funders.

Some readers may wish to skim the theory and concentrate on the recommendations but I would suggest it's useful to know the basic models underlying the recommendations.

3. Scope

This report aims to:
• explore the relevance of resilience thinking to the arts
• suggest a basic or simplified hypothetical version of an 'arts ecology'
• identify characteristics of resilient arts organisations and sectors
• make recommendations for how Arts Council England and others could enhance resilience in the arts sector

4. Methodology

The research for this paper was conducted in two main parts: a literature review followed by interviews with arts organisations.

The review of literature relating to resilience focused on resilience as defined by Walker and Salt: *'the capacity of a system to absorb disturbance and still retain its basic function and structure'* (Walker and Salt 2008). It included a number of pieces of research relating to disaster planning and recovery. Some comparison was made with definitions of resilience in other areas such as child or psychological development. The review also expanded into current thinking around business or organisational resilience, although no claims of scientific comprehensiveness can be made here, given the amount of writing on this subject that could have been read. In terms of the arts, a number of publications were reviewed, including evaluations of relevant Arts Council England programmes such as Thrive.

From this literature review a number of hypotheses and potential models were drafted. These were tested in 15 interviews with leaders of arts organisations which had been suggested by colleagues as examples of organisations that had proved able to change over time, absorbing disturbances of various kinds without losing their integrity of purpose. (More were suggested, but the number of interviews that could be carried out was limited by time constraints.) Interviews explored the relevance of resilience to individual organisations, how organisations had changed over time and the potential characteristics of resilience. (A list of those interviewed is provided as Appendix 1.)

The learning from the literature review and the interviews informed the material in this report.

This report is essentially a synthesis – and a hypothesis to be tested. There is much that could be explored, and further perspectives will no doubt emerge from the current consultation on Arts Council England's strategies and in future research.

5. Resilience: an overview

Resilience is a word that is used in a number of contexts. My primary interest here is the use of the word derived from ecological and social system theory, particularly that developed by C S Hollings and associates within the Resilience Alliance[1] and set out in *Resilience Thinking* by Brian Walker and David Salt (2008). This is, in itself, an application of systems thinking that might be useful for Arts Council England to consider more generally. As defined by the Prime Minister's Strategy Unit in 2004:

> *'Systems thinking is both a mindset and particular set of tools for identifying and mapping the inter-related nature and complexity of real world situations. It encourages explicit recognition of causes and effects, drivers and impacts, and in so doing helps anticipate the effect a policy intervention is likely to have on variables or issues of interest. Furthermore, the process of applying systems thinking to a situation is a way of bringing to light the different assumptions held by stakeholders or team members about the way the world works.'*[2]

Walker and Salt define resilience as, 'The capacity of a system to absorb disturbance and re-organize while undergoing change so as to still retain essentially the same function, structure, identity and feedback' (Walker and Salt 2008). Another definition relates it to three factors: 'the magnitude of shock that the system can absorb and remain within a given state; the degree to which the system is capable of self-organization, and the degree to which the system can build capacity for learning and adaptation' (Folke et al 2002). The ideas of resilience are based on the adaptive cycle, set out in Section 6, and on the theory that cycles at different scales connect and are in fact 'nested', rather like Russian dolls, but with each affecting change in the other. This is referred to by Hollings as 'Panarchy' (Holling et al 2002).

A growing body of work has looked at the characteristics within complex systems, drawing out the interdependencies in a way which moves thinking on from what might be seen as simple self-reliance in the face of difficulty.

Resilience theory relates to complexity theory and can be overwhelming in its depiction of links and cycles occurring at different scales and speeds, let alone in some of its language. In the sections on the adaptive cycle and an arts ecology, I have attempted to simplify this for the purposes of this paper. My own definition of resilience has evolved into the following:

Adaptive resilience is the capacity to remain productive and true to core purpose and identity whilst absorbing disturbance and adapting with integrity in response to changing circumstances.

A powerful, related definition has recently been published by Mission Models Money. It defines 'thriving' as, 'adapting to changing conditions in a life-friendly way to people and planet in order to maintain the function of making great work happen'. (Andrews and Dods 2010). Mission Models Money has been influential in raising awareness of social-ecological thinking and its relation to the arts, particularly in two influential papers by John Knell, *The Art of Dying* and *The Art of Living* (2005 and 2007), which argued for a new cultural compact and explicit prioritisation of the whole arts ecology over the maintenance of any individual element.

Walker and Salt argue that even this apparently simple desire is complicated. Central to the notion of resilience – and this is essentially why I find it a more useful word than sustainability – is that change is normal and necessary, and that to maintain any system in a fixed, arguably efficient or optimal, state contains risks, and can ultimately be counterproductive. For instance, if you do not thin out a forest, you can make it more vulnerable to forest fires, though deforestation, however, is another way of killing a forest. This is challenging to our notion of infrastructure and portfolios of revenue-funded organisations, as well as to some of our behaviour around organisational development. As Walker and Salt put it, 'There is no sustainable "optimal" state of an ecosystem, a social system, or the world. It is an illusion, a product of the way we look at and model the world. It is unattainable, in fact… it is counter-productive, and yet it is a widely pursued goal' (Walker and Salt 2008).

This relates to the elimination of waste and inefficiency, implicit in Knell's analysis and a theme that has emerged strongly in the agenda of the new government. Being efficient, in a narrow sense, leads to elimination of anything 'wasteful' or 'redundant' – keeping only those things that are directly and immediately beneficial. This, however, can diminish adaptive resilience and lead to vulnerability in the event of disturbance. (It is important to note that disturbance does not always come in the shape of 'trouble' or 'bad news' – it might come in the form of a hit show or a big new contract that requires adaptation of the organisation.) The elimination of redundancy can diminish flexibility, and have a toll on individual resilience in organisations – by encouraging poor conditions and long hours, for instance. The emphasis on 'protecting frontline services' whilst cutting back on 'back office' is not necessarily a bad thing if it is done in a creative manner which considers the roles in the system of all parts of a service: with 'front' and 'back' being symbiotic. If it is done in a simplistic manner, based on a crude mechanistic understanding, it runs the risk of increasing vulnerability and lessening resilience whilst delivering 'efficiencies'.

Individual resilience is about the strength and ability to carry on in the face of trauma or difficulty, facing '...stress at a time and in a way that allows self-confidence and social competence to increase through mastery and appropriate responsibility' (Rouse et al 1999). Developmental psychologists have looked at how resilience is developed and maintained in children and adults. One study of children on Kauai island, Hawaii resulted in the identification of four central characteristics of resilient children: an active approach towards solving life's problems, a tendency to perceive their experiences constructively, an ability to gain others' positive attention and an ability to use faith to maintain a positive vision of a meaningful life (Werner and Smith 2001). The Mission Models Money publication *The People Theme* (Andrews and Dods 2010) explores the personal competencies, qualities and attributes necessary to thrive in a changing and complex world.

Business or organisational resilience is most often described as the ability to continue in the face of changing times and economic circumstances, lost business or staff, or to respond to natural or

man-made disasters of one kind or another. These latter events are often considered under the category of risk management, at a number of levels. The Demos publication *Resilience Nation* takes an interesting look at how this relates to broader definitions, particularly in the light of climate change and terrorism (Edwards 2009).

A great deal of business-oriented literature looks at the lasting qualities of organisations. *Good to Great* and *Built to Last* by Jim Collins (2001 and 2005) were hugely influential. Their key messages are summed up as, 'build your company so that it preserves a passionately held core ideology and simultaneously stimulates progress in everything but that ideology' (Collins 1995). More recently, Edward Lawler and Christopher Worley have suggested a step further on from Collins, with their book *Built to Change*. This places a greater emphasis on innovation and environment scanning for future change, and structuring organisations for change rather than any fixed state (Lawler and Worley 2006).

Research interest in the potential applications of ecological resilience theory to organisations and communities has grown in recent years. The University of Canterbury, New Zealand, has created the Resilient Organisations Research Programme, which has developed a number of tools and frameworks. The Resilience Management Framework identifies four key elements to resilience: a resilience ethos, situation awareness, the management of keystone vulnerabilities and adaptive capacity. It then details 23 indicators of these elements (McManus et al 2007). Further studies have taken ideas from Hollings, Walker and others and looked at community development and how different groups might demonstrate different approaches to managing changing environments (Fabricius et al 2007).

Resilience is therefore clearly a concept with a real and widening resonance, and is being applied in fields relating to economic, social and natural environmental changes. It can also be applied at an individual level. This seems useful, given the many-layered perspectives that the Arts Council must apply – thinking at the different levels of artist, arts organisation, local authority, region, artform, nation and so on. Although each of the 'models' of

resilience has strengths and weaknesses, and the limitations and omissions of any model, taking a conscious and designed approach to building resilience is a stance that is increasingly being adopted. In Section 8 I attempt to do something similar for arts organisations.

6. The adaptive cycle

Central to an understanding of resilience in a systems sense is the adaptive cycle. There are various depictions of this four-phase cycle and Figure 1 below is a rather simplified version. (It is often depicted as a loop, as in Figure 2, page 15.) I have simplified the diagram/ model for the sake of clarity and analysis, but inevitably some richness is lost, not least the image of the adaptive cycle as a rollercoaster, a metaphor that several interviewees used to describe their experience. I have also adapted the terms generally used in the literature, preferring 'consolidation' to 'conservation', for instance, to avoid unwanted resonances.

The adaptive cycle has four phases, although it is important to note that an organisation, especially a larger one, may experience characteristics of all four phases simultaneously, and that movement between phases is sometimes not as linear as the figure suggests. Most organisations and sectors, however, will tend to move over time through recurring cycles containing the four phases shown in the model.

Growth: This is characterised by innovation and high demand for products or services and resources to meet demand; resources move around as a result. Duplication of activity, organisations or staffing may arise. Networks develop very rapidly, often informally, again with some duplication.

Consolidation: Over time, resources become more fixed, both internally in terms of staffing and physical asset use, but also externally in terms of demand becoming predictable. Capacity is built, in terms of structures of organisations and networks, and things become more 'efficient'. Budgets are more fixed. During the late consolidation phase, systems can become vulnerable to unforeseen disturbance if they are either too fixed or not paying enough attention to their operating environment. Some may fall into the 'Rigidity Trap' of hanging on to structures and ways of working that need to adapt to changes in the environment or internal changes.

GROWTH

Competition for free resources, innovation, development of networks, duplication

CONSOLIDATION

Resources become locked up, capacity is built, things become more efficient, more fixed. Late phase resources devoted to maintenance, increasing vulnerability

THE ADAPTIVE CYCLE

REORGANISATION

Renewal and redesign, change, if transformation to new system not needed.

RELEASE

Disturbance creates change. Resources freed up. Rapid change.

Figure 1: The adaptive cycle

Release: This phase usually begins when a disturbance, or set of disturbances, creates the need for change. This may be internally or externally driven and seemingly either positive or negative (eg departure of a long-standing CEO, a funder having to cut grants and move to commissioning, a hit show leading to demands for more touring). Resources are necessarily freed up and can be reallocated. Often this phase feels like an emergency, but even if not, it is usually quite rapid, as it is a less productive phase for any system. It is sometimes known as 'creative destruction', where its relation to innovation is clear.

Reorganisation: Release leads into renewal and redesign, which create new potential and stimulate fresh innovation, carrying some of the learning from the previous cycle. Although this and the release phase (sometimes called the 'back loop') can feel traumatic, they are also creative and full of possibility. Reorganisation often then moves

back into growth or consolidation, with the paradigms created during the creative destruction and renewal phases shaping the next cycle.

This cycle was recognised by most of the interviewees. A number of larger organisations discussed how versions of the adaptive cycle take place simultaneously within their organisation – in different teams or areas of work, or artistically and commercially.[3] A number also described consciously driving change through their organisations – in essence, introducing disruption to avoid becoming complacent in a prolonged consolidation phase.

No system is an island, however, and the literature suggests one can extend this model, by exploring how different cycles are interconnected.

As Figure 2 illustrates, cycles of different scales are not separate and not simply connected, but are 'nested in a hierarchy across time and space' (Gunderson at al 1995). This explains how things might change in the arts over time and from place to place, with seemingly small activities having huge impacts. Experimentation and innovation occur periodically, but are incorporated into the nested hierarchies, which tend to remain relatively stable even when changing. As Gunderson puts it, 'In essence, larger and slower components of the hierarchy provide the memory of the past and the distant to allow recovery of smaller faster adaptive cycles.'

Innovation tends to move up the scales, but occurs at all scales, and needs to be integrated into consolidation and maintained during the back loop to form part of the next growth phase. Innovation is more than simply doing something new; it is also what happens with that new thing. Building this in is not always possible, of course, and much innovation comes from experimentation, which must include some 'failure' – things which either don't succeed or don't 'stick'. Some argue for a definition of research and development in the arts that is closer to the scientific or industrial purpose, where methods and outcomes are 'explicit and capable of generalisation across the sector' (Bakhshi et al 2010).
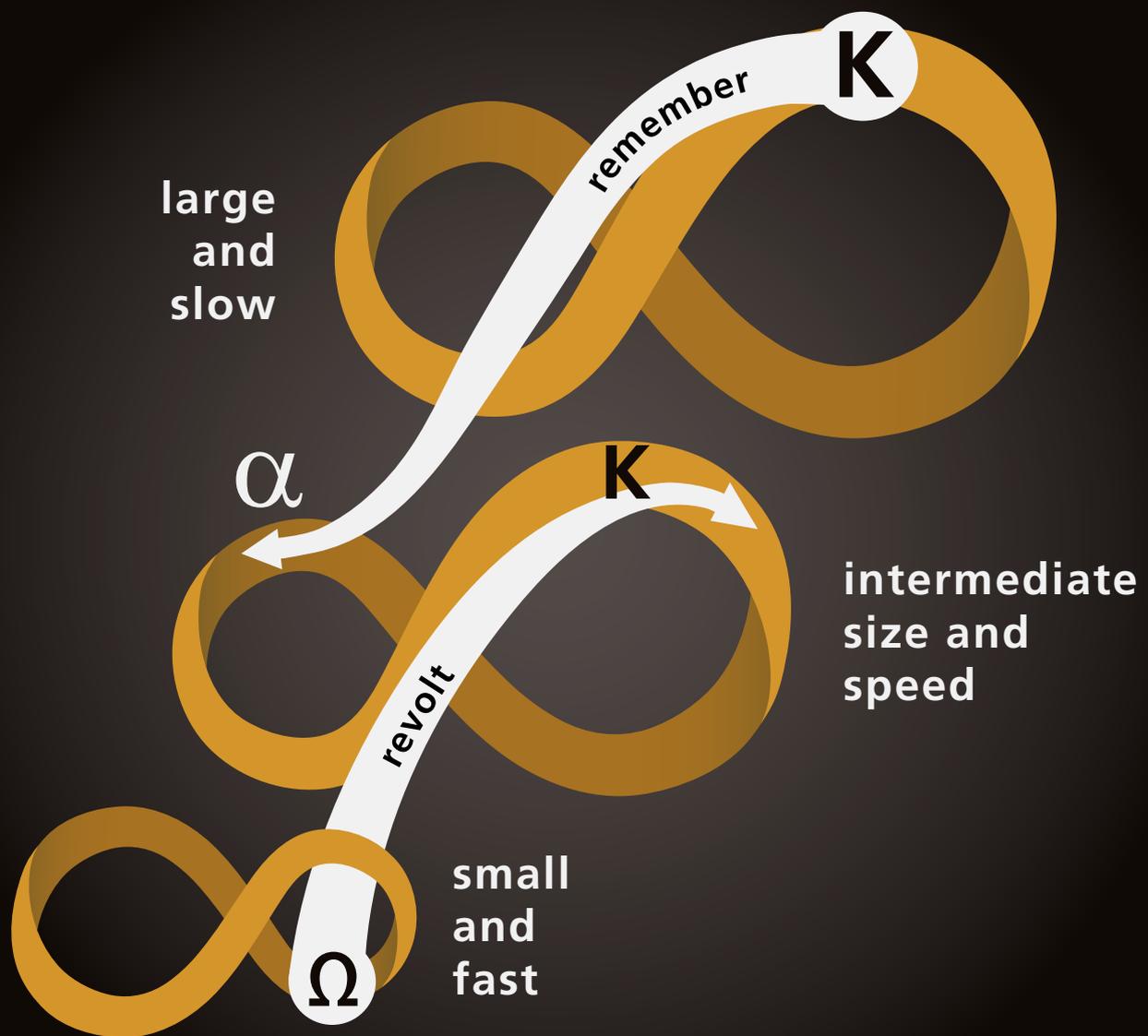
Figure 2: Adaptive cycles within a panarchy, indicating cross-scale influences
(C S Holling, L H Gunderson and D Ludwig 2002)

While this would add some rigour to the sometimes loose or vague use of the term 'innovation' by artists, arts organisations and, even arguably, the Arts Council, its prescriptive feel can be partly explained by the panarchy model above (Figure 2), and the idea that innovation moves naturally between scales. This is arguably how some of the larger and more long-standing arts organisations interrelate with smaller and new groups and with individual artists. Sadler's Wells, for example – operating in one form or another since the 17th century – can provide a stable platform for new choreographers and companies, and indeed artists beyond dance, and is itself changed by this (sometimes very gradually, sometimes in sharp jumps forward), just as the process also changes the company, and over time the artform of dance. What was once un-understandable and radical gradually makes its way into the slower, memory-holding parts of the sector. A parallel could be drawn here perhaps with Bill

Ivey's conception of the expressive life combining voice and heritage (Ivey 2009).

The idea of linked scales can seem rather more 'hierarchical' than the arts ecology I suggest in Section 7, but the thinking behind this model could be used to map the dominant functions and relationships of Arts Council clients. The model gives a conceptual framework for the way new arts practice moves from individual artists and small, arguably marginal, organisations to influence what seem to some monolithic national institutions, and then influence the whole system afresh. What's more, this framework links that kind of adaptation not only to outputs (the art) but also to resilience, making it clear that without that process of embedding innovation, the system as a whole becomes more vulnerable to unexpected disturbance.

The key challenge is therefore to explore how different investment mechanisms may be suitable for organisations of different scales and in different phases of the adaptive cycle, and how those mechanisms can be built to encourage the general application of innovation.

This idea of different systems interrelating, with different systems changing at different speeds and playing different roles in the larger system, leads us neatly into a discussion of the arts ecology.

7. Towards an arts ecology?

The term 'arts ecology' has been heard much more frequently in recent years. In part, this may be down to fashion: an awareness of climate change, systems thinking and the interrelatedness of things. It has, to a certain extent, replaced the phrase 'arts economy', which has fallen into some ill-defined ill repute, particularly since Sir Brian McMaster's report on excellence placed greater emphasis on the intrinsic values of the arts, and on innovation, diversity and access whilst urging avoidance of top-down targets. Other terms that tend to be less heard include 'arts industry', although 'arts sector' is still commonly used.

Some have argued that the health of the arts ecology is more important than that of individual organisations. The first and overarching objective of the Cultural Funding Compact proposed by John Knell for Mission Models Money was 'to prioritise the health of the whole arts and cultural ecology, not the maintenance or survival of particular bits of the system' (Knell 2007). Mission Models Money has, to a certain extent, set out a vision for this, in particular in its recent concentration on collaborative pilots in Scotland and North East England, alongside its broader ecological argument, linking transition in an over-extended cultural sector to that necessary for an over-extended planet.

It could be argued that the Arts Council has increasingly taken an 'ecological' view of the arts, as evidenced by the Dance Mapping report (Burns and Harrison 2008), or by its approach to the last Investment Strategy, in which it chose not to apply standard uplifts. References to ecology can now be found in many Arts Council England publications.

However, the term 'arts ecology' has often been ill defined, if indeed a definition of any sort has been attempted. Arguably, the most potent of Genista McIntosh's criticisms of the Investment Strategy was the perceived lack of a coherent framework and, in particular, a national overview of the regularly funded organisation portfolio (McIntosh 2008). McIntosh did not define the (ecological) system which that framework might relate to, and could be seen to simply

suggest a multi-perspective list rather than a social-ecological perspective. What the components of an arts ecology are, and how they might interrelate, has been less explored. No matter how detailed or correct any framework is, if it fails to consider how, say, the Arts Council's regularly funded organisations relate to the whole of the arts, culture or society, it will only be useful in shaping a particular part of the system. Systems-thinking would suggest that this in itself can have negative, unintended, consequences for the whole system (Chapman 2002).

Figure 3 illustrates how different sub-sectors may interrelate. It shows a series of 'nested systems' where what happens in one impacts on others. One could use this as a rough tool for mapping the Arts Council's funded organisations and their relationships. A number of questions might be asked to assess the health of the ecology for arts organisations:

• Where do they primarily sit?
• Is there a healthy spread across all parts so that the ecology can be productive as a whole?
• Are there gaps or duplications?
• Are there particular parts well served by others, or parts where Arts Council England investment is especially needed?
• Are the factors affecting institutions such as national theatres or galleries likely to impact on the way in which smaller organisations operate, and vice versa?
• How healthy are the connections between different parts of the ecology?
• How are they impacting upon and being affected by economic systems?
• What changes are happening in society that might have impacts within the ecology?

The idea that certain parts of the sector may adapt at different speeds and contribute different things to the adaptive cycle offers new ways to conceive the role of, for instance, innovation and infrastructure.

Two other areas are worth emphasising. First, the centre of this schematic version of an arts ecology is the individual, in particular
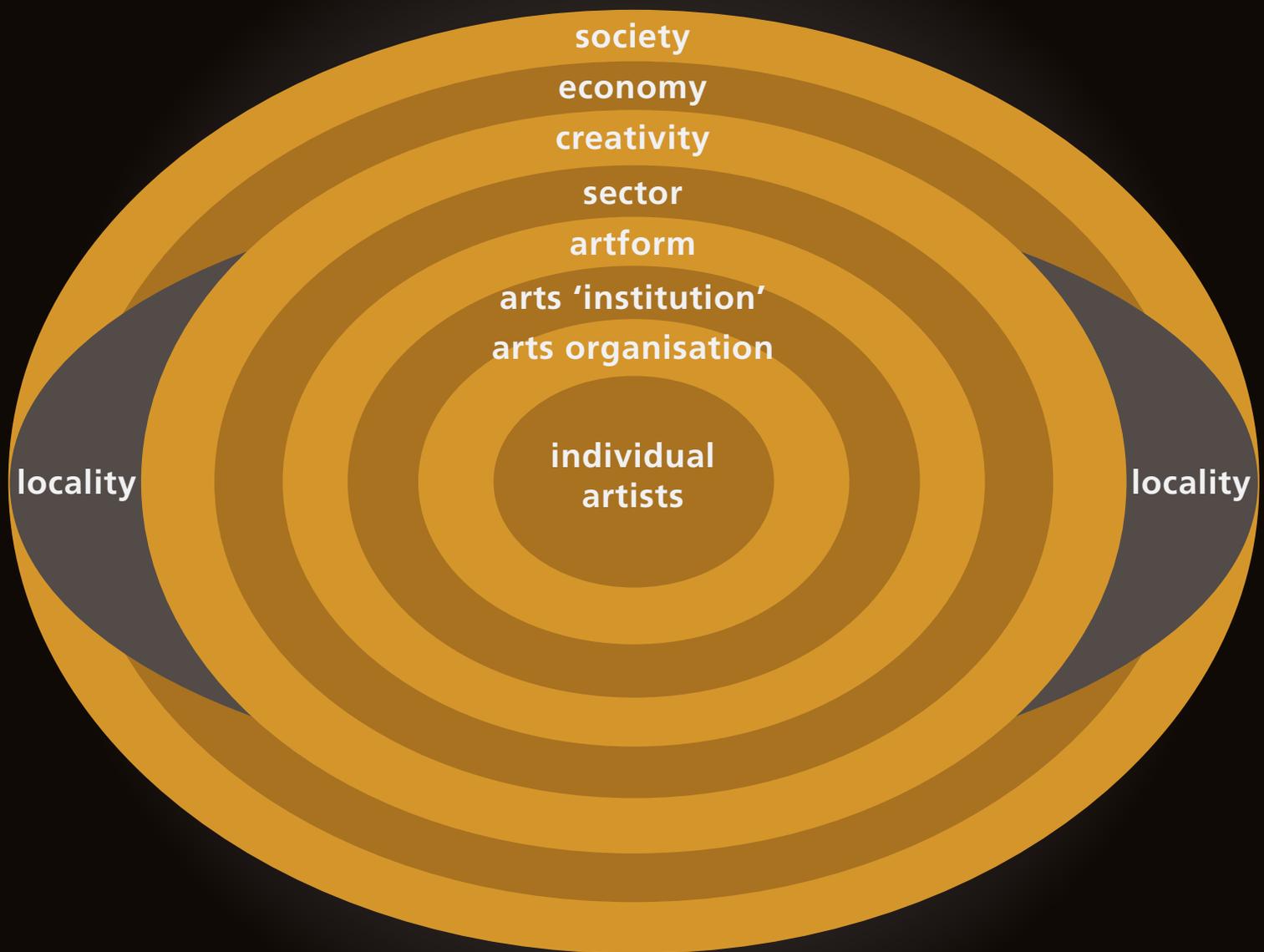
Figure 3: One version of an arts ecology

the artist. Without that centre system – what artists are doing, how they are innovating and evolving – little change will occur elsewhere. Without either romanticising or patronising individual artists, it is important that policies to increase organisational resilience do not marginalise the creativity at the heart of the arts ecology. (The place of artists is interesting when considered through the frontline/back office lens: how do we properly acknowledge the roles of a playwright and a literary manager within most drama, for instance? Is either frontline?)

Second, the role and position of arts organisation in their locality and its systems emerged as strong themes in the interviews. What happens in a town or city – economics, population change, transport, etc – impacts on the arts sector. What happens in the arts or in an arts venue changes the city. (One can imagine Tony Wilson, founder of Factory Records, making this argument with regard to Manchester,

for instance, or Kneehigh with regard to Cornwall.) This position within local systems is vital to resilience. For arts organisations to properly embed themselves into localities, they must understand the 'connections' and 'how the place works'. The greater connectivity generated drives change and protects against unforeseen disturbance by networking the organisation. This suggests that Arts Council England's 'place' agenda needs to be highly sophisticated and responsive – and certainly needs to be about more than just plugging cold spots by providing arts activity. A nuanced and flexible strategy allowing for regional and local variations will be necessary to support artists, organisations, local authorities and other local partners to develop sustained partnerships, rather than a one-size-fits-all approach.

The organisations interviewed tended to conceive their place in the ecology in terms of responsibilities and impacts. This might be expressed as the changing circumstances they experienced and the difference they make to their environment. They saw this in artform or arts sector terms and in terms of their particular locality (even if they felt their artform was international in scope). In all cases, it was very much about networks of relationships enabling adaptive behaviour and building resilience.

I am aware the discussion above is just a start in thinking how to represent and then think about an arts ecology. A far more detailed mapping of the movement of money, people and other resources around the system would be necessary to make it a more useful tool for arts and cultural planners and policy makers. One other research consideration would be the extent to which an 'arts ecology' needs to be re-conceived as a 'cultural ecology' or a 'creative ecology'. Both of those are beyond my time and brief. The schemata above (Figure 3) does, however, I hope, provide a useful starting point for discussion and analysis, and for helping artists and arts organisations to picture and manage the various systems impacting upon them, thereby increasing their resilience.

8. Characteristics of resilient arts organisations and sectors

This section draws on available literature in ecological and business thinking and on the characteristics repeatedly observable in organisations, including those interviewed. It suggests that resilience can be characterised by a combination of the following eight resources and adaptive skills:[4]

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

Organisations and sectors need *both* resources and adaptive skills to be resilient over time, although they may not necessarily need all of them at all times. Strong leadership skills alone will not deliver resilience, for instance: they could be undermined by a lack of financial flexibility or a predominance of silo working and lack of networks. Equally, an awareness of the situation without a strong culture of shared purpose, made real by organisational memory, might lead to mission-drift and loss of purpose.

A blend of change and continuity is essential for resilience. Without change – driven by innovation, networks and the evolving environment – organisations and sectors risk falling into the 'Rigidity Trap'. Simply maximising the efficiency of an organisation or system can lead to inflexibility and vulnerability in the face of change. Without continuity of purpose, there is only persistent activity.

The resilient organisations interviewed had all had a mix of change in personnel or approach alongside some stability, including some people who had remained with organisations productively for 25 years and more.

The following table sets out what the eight resources and adaptive skills might look like in resilient organisations, and also expands on this to illustrate how this framework – illustrative and diagnostic rather than prescriptive as it is – might apply to sectors or sub-sectors in the arts. (This latter in particular could be subject to further research.)

The characteristics set out in the above table could form a useful diagnostic or self-assessment tool. They can be seen as aligning well with the six key areas of the Arts Council's Self-evaluation Framework.[5] However, the 'what success looks like' descriptions, and 'questions to ask' that are included in that framework, while useful, only go so far. The literature review and the interviews suggest that there are some fundamental mindset issues that must be addressed. So, for instance, the issue is not whether a written vision statement is in place, but whether that vision genuinely directs the choices that people within the organisation make, whatever their role, and whether they can relate it to the history of the organisation.

There is also a further, very fundamental, mindset common to all the people interviewed, and which is repeated throughout the literature. The ability to face up to reality is fundamental to resilience – what Jim Collins calls 'facing up to the brutal facts' (Collins 2001). As one interviewee put it, they are 'prepared to ask big questions and listen to the answers you don't want to hear'. Resilient organisations take risks, but considered risks, and make decisions based on clear business logic. As one person put it, very simply and powerfully, 'We don't do what we can't afford to do.' This has relevance to Arts Council England as well as to the arts sector as a whole, but should not be translated into 'only do what you know will pay its own way'. A long-term view, encompassing the effects of innovation, should inform assessment of risk. Those organisations with the strongest adaptive resilience tend to see risk as integral, but managed.

Characteristics	Description of resilient organisation	Description of resilient sector/ sub-sector
Resources		
Culture of shared purpose and values rooted in organisational memory	Clearly defined vision and purpose understood by everyone in the organisation and which can be related to the history of the organisation and shape decision making. Mission-drift is avoided, although the mission may evolve. Anything outside core purpose is taken on very consciously. Purpose and values are shared and understood externally as well as internally – by partners and audiences.	A strong, consensual 'story' emerges of the nature and impact of the sector, albeit containing a diversity of detailed views. 'Professional standards' may emerge, managed either informally or formally. Unions or other industry groups speak authoritatively on behalf of the sector. Mentoring is common. Sector can acknowledge both strengths and weaknesses.
Predictable financial resources derived from a robust business model	The organisation has a range of reliable income streams, which it can predict with some confidence. These are derived from a range of activities, and may include public sector revenue based on delivery of activity or services, private sector sponsorship or donations and earned and traded income. Activity either relates directly to the core purpose of the organisation or is strategically and consciously designed to enable that. Financial reporting shows delineation of revenue for activity and revenue for business capital, growth or development. A portfolio of strategic options minimises over-reliance on one source of income.	Sector has a diversity of organisations and types of organisations providing services/activity to its different audiences, who are prepared to regularly provide revenue in exchange – be that public sector funding, private sector sponsorship or philanthropy or ticket/earned income. These organisations form a supply network, and also provide a networked environment in which talent and skills are developed and extended. Individual elements of the supply chain can predict with some confidence relations for the future, but are not wholly reliant on particular other parts of the system. Supply and demand are in healthy equilibrium, providing good revenue income and good returns. A range of specialist financial providers and financial mechanisms in addition to grant makers support sector capital investment needs.
Strong networks (internal/ external)	Cross-team working, flexibility in roles and an absence of unnecessary internal silos. Organisation works in collaboration with others in its locality (perhaps also regionally, nationally and internationally) and artform, and is part of wide information networks. Connection between organisations is at several levels, not just either functional or senior levels. Collaboration and networking make the organisation vital to other systems – eg local arts/political/social networks.	Individual parts of the sector communicate well and collaborate regularly, with all parties feeling that time invested yields appropriate returns. This networking leads to greater efficiency, greater knowledge of situations and patterns, and to a stronger advocacy voice. The sector is a powerful advocate for its activities and creates new customers and supporters for its work. Networks also provide challenge, innovation and ultimately improvements in practice. The interdependencies are increasingly acknowledged and self-managed, with competition and collaboration co-existing.

Characteristics	Description of resilient organisation	Description of resilient sector/ sub-sector
Resources (continued)		
Intellectual, human and physical assets	The organisations makes best use of a range of assets, which may include intellectual property such as repertoire or data, as well as network relationships, and physical assets such as buildings. These assets are used to maximise impact in pursuit of core purpose, as well as to create income for further research and development. Planned investment is made into the creation and exploitation of new assets. Organisations see arts practice as an asset to be used in future, as well as a set of particular activities that 'happen'.	Sector has the assets required to do its work – eg building and digital infrastructures, and there is good sectoral knowledge of what is held, which is shared openly. Assets are used for sectoral benefit as well as individual or organisational gain, and this networking of assets is enabled by appropriate financial planning. Income from artistic assets, in the form of repertoire or collection-based intellectual property is maximised, and made possible by appropriate legal and commercial skills and planning.
Adaptive skills		
Leadership, management and governance	Organisation displays leadership that provides clarity both internally and externally, with decision-making process aligned to business model. Is constantly seeking improvement and is future focused, while delivering current plans. Addresses key issues with appropriate levels of challenge and support. Clear roles and responsibilities are agreed, but can flex to circumstances. Clear, challenging and supportive management and reporting systems in place.	Sectoral leaders emerge who are backed by a majority of elements of the system/network and taken seriously by funders, politicians and public. Improving governance is seen as a shared responsibility. Industry bodies act in a way that develops sectoral resilience rather than individual interests, and are future focused as well as practical in the immediate term. Sector advocates for evolution rather than simple maintenance.
Adaptive capacity: innovation and experimentation embedded in reflective practice	Constantly seeking to innovate and experiment, with a clear focus on building on or integrating successful innovations into business. Build reflection on activity and its success in relation to core purpose into ongoing work, as well as relating to environment and future possibilities. Sees change as a natural positive, not an unavoidable trial, and actively prepares all staff for disruption.	Sector adapts to changing environment over time and influences that environment. Dominant ways of working and forms of art and organisation change as innovation is adopted into the mainstream, thereby adapting it. Innovative models are supported to establish themselves. A culture of constructive peer review and critique brings diverse perspectives into constant reflection on practice. Not all individual elements of the sector are maintained in perpetuity, but this is seen as healthy. Risks are taken in an informed and responsible way.

Characteristics	Description of resilient organisation	Description of resilient sector/ sub-sector
Adaptive skills (continued)		
Situation awareness of environment and performance	Has in place comprehensive formal and informal ways of collecting and considering information about the operating environment, and sharing that information throughout the organisation. Highly aware of current and innovative practice in its area of expertise, and well connected into it. Well-designed and appropriate metrics in place for measuring performance. Information is regularly and creatively used to inform short-, medium- and long-term planning and decision making.	The sector openly shares information on performance and environment, to enable benchmarking and self-assessment. Discussion of environment is an everyday activity, not merely a defensive act. Debate refines understanding of both formal and informal information. Industry bodies take situation awareness into account in advocacy and spreading best practice. The sector is self-aware, including of how others perceive it and the reality of business situations.
Management of key vulnerabilities: planning and preparation for disruption	Analysis of emerging and inherent vulnerabilities carried out on a regular basis and integrated into medium and long-term planning. An ethos is in place which acknowledges vulnerabilities and accepts that things will change over time, but which also reflects regularly on core purpose. Some financial and resource flexibility is retained in all plans to respond to disruption, be it positive or negative.	Shared discussion of key vulnerabilities is common, open and constructive. Collaborative planning is routine, particularly in particular localities (eg cities or counties) or artforms, leading to decision making informed by sectoral insight as well as by funders. Decisions prioritise sectoral health rather than the maintenance of all individual elements. There is spare capacity in the sector to cope with unexpected disruptions such as company collapse, disasters (eg floods or bombs) or unexpected peaks of demand (eg 2012).

9. Building resilient organisations

Organisations that consistently display the characteristics outlined in Section 8 will tend to be more resilient than those that cannot develop the necessary resources and adaptive skills, and will be more productive and have more impact. Therefore, support should be focused not only on subsidising excellent activity or quality experiences, but also on enabling arts organisations to become sustainable and resilient. Arts Council experience over many years is that this rather commonsensical statement is harder to deliver than it might at first appear.

The effects of acquiring the resources and skills described in the previous section when allied to orientation to change can be seen in Figure 4.

Figure 4 illustrates four types of organisation:
• vulnerable dependence: those with few adaptive resources and little orientation towards change
• coping persistence: those with good adaptive resources, but little orientation towards change
• frustrated innovation: those with a strong orientation towards change, but few adaptive resources
• adaptive resilience: those with both the adaptive resources and the desire to change

It is worth emphasising that good, even great, artwork is made by artists and organisations in all of those quadrants – you can be culturally productive anywhere in this table. However, you would be carrying certain risks depending on your situation. This can be seen by describing the way in which some Arts Council regularly funded organisations fit into these four types.

The Arts Council's portfolio of regularly funded organisations contains organisations that are almost wholly dependent on Arts Council England funding to maintain current levels of activity. Even where that funding is a minor proportion of the total, it is usually seen as enabling all activity. However, organisations are sometimes equally dependent on local authority funding, and very occasionally on
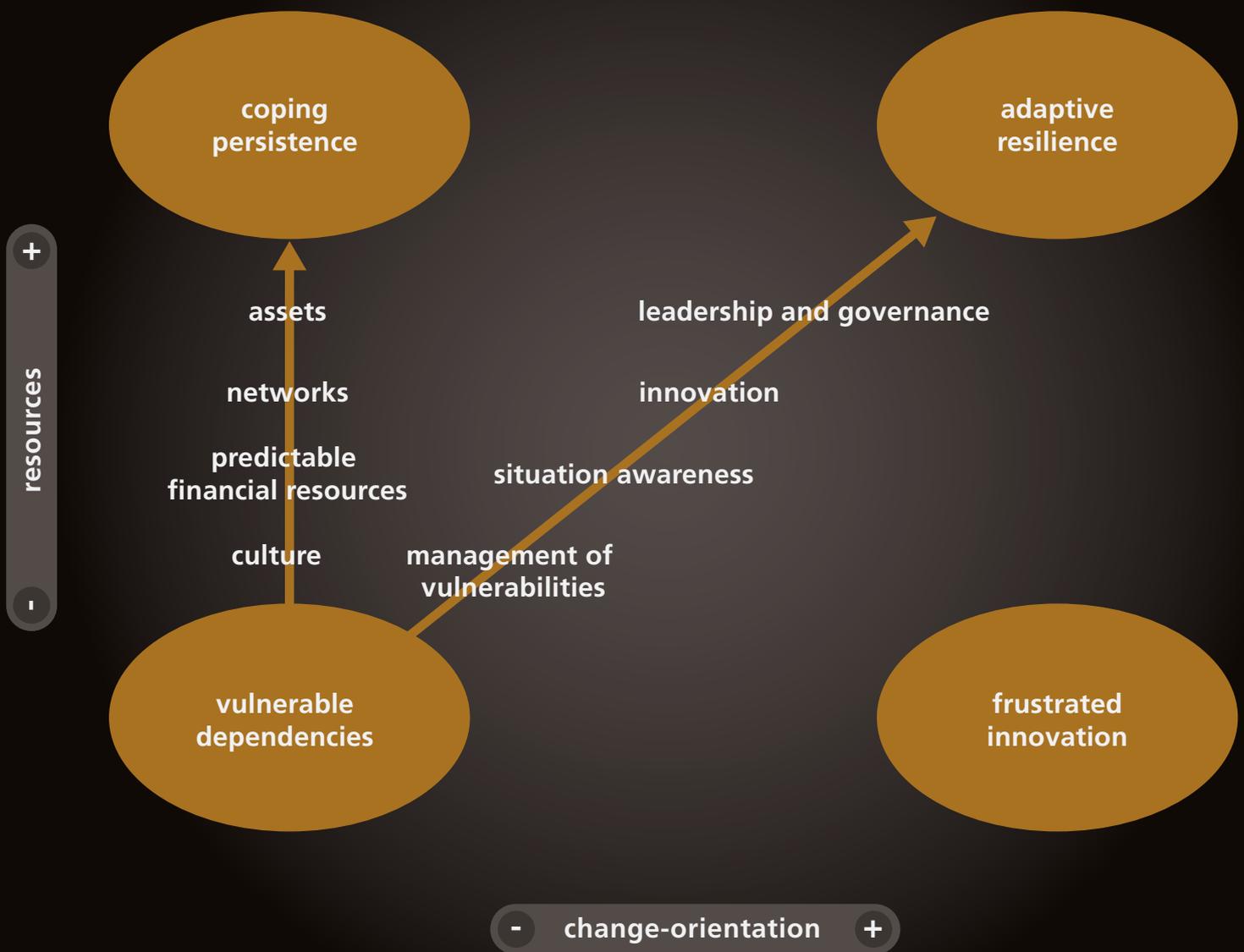
Figure 4: From vulnerable dependence to adaptive resilience

(Adapted from Fabricius et al 2007)

private or philanthropic giving. These organisations often define themselves by their regularly funded status, rather than their activity, and are essentially only as sustainable as their next (or last) grant. They will often feel themselves in the reverse of the Rigidity Trap – ie the Poverty Trap, where a feeling that funding is never sufficient for aspiration comes to shape behaviours in a damaging way. No financial flexibility is generated, as all funding is put into activity, and therefore they are always vulnerable to disturbance, even success.

Alongside such organisations – which are usually this way not inherently, but because of a mindset of not adjusting to available resources – are a second group of organisations that are persistent and cope with whatever changes come their way. They will be inventive in gaining support when it is needed, drawing on strong networks and a very strong identity. Their coping skills also mean that

when reorganising they will cut their cloth according to available resources, but tend not to fundamentally alter their structures and ways of being. In a sector that prizes innovation, these organisations can be seen as either long-standing examples of good practice (even when their 'heyday' was some years ago) or as undervalued organisations that may not have moved with the times but have somehow survived to do what they do.

Innovative organisations without the resources to turn their innovation into sustainable organisational capacity – perhaps due to lack of investment or lack of certain skills – can be productive, but can also become frustrated in their ambitions. This is a typical situation for organisations who see their development as dependent upon receiving regular funding – although that is often not the best way of investing in them. Frustrated innovators can also inhabit the Poverty Trap, though tend to do so in a more positive way than those who feel more dependent on funders. The major downside of operating in this quadrant is what might be called 'The Exhaustion Factor'. Individuals burn out here, talent is lost to the sector and some people move through on their way to more stable jobs. In ecosystem terms, this may be a good thing, but there may be a cost to individuals and, indeed, to localities. (Schemes such as the Paul Hamlyn Foundation's Breakthrough Fund have addressed this issue in recent years.)

A fourth category of organisation is able to adapt without losing its identity and core purpose. These organisations are resilient and innovative, always looking for ways to improve. They acknowledges this means change, albeit usually through a continuing series of adjustments rather than huge reorganisation. But when required by some disturbance, they are psychologically and organisationally able to adapt fundamentally to a new environment and have the appropriate resources to do so.

The model (Figure 4) draws on a categorisation of community approaches to resilience, which describes three types of communities (Fabricius et al 2007). 'Powerless spectator' communities have poor adaptive skills and few financial or technological options, and lack natural resources, institutions, and networks. 'Coping actor'

communities have the capacity to adapt, but tend to be short term and survival focused, with weak leadership. 'Adaptive manager' communities have both the capacity to adapt and the organisational or governance resources to sustain change.

Obviously not all arts organisations will fall neatly into one of these groupings and some will demonstrate characteristics of more than one. The model is a diagnostic tool, not a grading system. It also seems applicable to artforms and sectors, although there will inevitably be an even greater degree of variation. Broadly though, this model does have enough 'fit' to be useful. A key question for the Arts Council (and indeed other funders) then becomes how to support organisations and sectors to move from Vulnerable Dependence, Frustrated Innovation or Coping Persistence to Adaptive Resilience so they can better achieve great art for everyone.

We could start by looking at how this has been done in the past in England and what has worked. Since the major wave of lottery-funded capital projects, programmes have included: Stabilisation and Recovery, Thrive! – Organisational Development, and Sustain, alongside organisational development applications of the main Grants for the arts programmes, and support for organisational development in exceptional or urgent cases. Some fairly consistent messages emerge from the various evaluations of these schemes. These are further reinforced by this research into resilience, but I will avoid pointing this out in each instance.

Stabilisation and Recovery demonstrated that sustainability does not equate to stability of funding and operation alone, although little can be done without some immediate stability in a crisis. Organisations need to go through a time-consuming and fundamental process of looking at their business for change to be properly embedded. This is about more than 'adjusting' proportions of revenue income; it starts from a challenging examination of the basics of what the organisation is for and how it generates value for the public, funders, artists and other stakeholders – what the basic exchanges are.

The key learning outcomes from the evaluations of Stabilisation and Recovery relate to time, learning, change focus and robustness of

approach. It is an intensive process that requires investment of both cash and human resources. The financial investment was best deployed over a period, drawn down by recipients to be spent on organisational development activity, capital renewal or change, and to assist with revenue cash flow during the transition process.

This learning led into the intended focus of Thrive! – Organisational Development on 'building capacity to respond to and influence a rapidly changing environment', a definition that sits well with the notion of adaptive resilience. Similar lessons were drawn from Thrive's interim evaluations, although some also noted that the level of complexity and prescription was restrictive. Some interviewees in my research had taken part in Thrive and spoke very highly of the scheme. They felt it had been best in providing the time to think deeply about organisational direction and the basic business model. This had been supported by what in other fields might be called business capital, drawn down over a period of time to support the revenue line prior to take off.

A strong theme within Thrive, and other schemes such as the Cultural leadership programme, is the potential benefit of collaborative working between organisations and between peers within networks of organisations. This can be seen in examples ranging from locality-based initiatives such as Liverpool Arts and Regeneration Consortium to sector-based partnerships such as ERA21, which brings together a number of sector or industry bodies. Notably the acronym stands for 'Evolving a Resilient Arts sector'.

The 'emergency response' requirements of the scheme militated against those aspects of the original proposal, which drew most directly from Thrive. As a result, there may be some organisations that will prove to have been merely maintained in the Consolidation Phase a while longer than otherwise. A small number have taken the opportunity to build in organisational or business model redesign, and it is clear the panel were acutely aware of these issues when making decisions. It is clear from the early results that the ability to invest in activity that develops artistic excellence alongside developing new business plans has been vital in maintaining some organisations that are key to a health arts ecology.

Nowhere in the evaluations do I find the much sought-after copper-bottomed alternative business models. What can be seen is arguably a consistent picture of business models emerging where core purpose is matched to the environment, and practice finds a reliable set of people willing to pay for the services or activities that are delivered via a strong set of organisational skills and resources. The alternative models are more about mindsets than aiming for particular percentages of funding from different sources or changing company structures.

Binaries are dangerously attractive, but I would suggest it is useful to split arts organisations into two basic types. Some people see their activities, products and capital resources as assets that create income, which pays for that activity and future development, and that work towards predictable and reliable income streams from a variety of sources. Some people see their activity as driven by or enabled by the availability of funding and work towards making that predictable and reliable. Those seem the basic 'viable' alternatives. The first seems likely to encourage a number of resilient behaviours: diversity of income streams, ingenuity, resourcefulness and re-use of materials. It will inevitably have an impact on business models, and this is further enhanced by the impact of digital technologies and interaction.

What might this 'asset-based' approach look like in practice? Well, it's worth remembering this is not new: it ranges from the traditional basics such as selling programmes at high 'profit' margins to innovative practice. A theatre might not just look to sell a book of the script, but to take a stake in the script it helped develop, so it got a percentage of any future film. It could sell the skills integral to producing theatre in workshops to business speakers, or develop online courses for aspiring writers, using material derived from its own productions, developed by its staff. The central idea is twofold: looking at what the organisation does in a different way and using the income generated to invest in further work that creates new assets.

Both these mindsets (asset-based activity or funding-enabled activity) might produce great art, although one seems more able to adapt as the world changes. Both carry degrees of risk, of course, and Arts

Council England investment currently supports both. The potentially confusing thing is that this is currently done from the same streams of funding, with common criteria. This is unlikely to be as productive or as tenable a position as it has been, when public sector funding for the arts shrinks in the immediate future. This demands greater clarity. Ideas in the *Achieving great art for everyone* consultation give a good platform for shaping investment mechanisms in a way that would build adaptive resilience rather than inadvertently create vulnerable dependence.

10. Investing in great art for everyone

I am not going to analyse the whole of the Arts Council consultation document *Achieving great art for everyone* from a resilience point of view but will concentrate on key issues relating to how the Arts Council invests. (This seems appropriate given not only the origins of this paper, but also the important role of the Arts Council as the key investor in arts activity and development. The points made will also have relevance to other funders.) The five goals have been debated during the consultation and the Arts Council will publish its plans later this year. The strategy seems to me to have developed into a meaningful response, not just to McMaster and McIntosh, but to the challenge Charlie Leadbeater set in the relatively early days of Arts Council England as a single organisation: 'There are issues that only the Arts Council can address, as the national body for the arts in England. Fish are only as healthy as the water they swim in. Arts organisations need a supportive environment to prosper. The Arts Council needs to play a more strategic, imaginative and entrepreneurial role in shaping the environment the arts operates in. That means doing far more than securing and administering adequate public funding for the arts' (Leadbeater 2005).

The interrelation of the five goals gives the potential for a holistic view to develop, if the sector genuinely begins to share those goals. If this 'common culture' can be developed across the whole arts ecology, the whole system could become much more productive and much more resilient to external disturbances. This would, in turn, give Arts Council England greater insight into what interventions or protections might be needed in the ecology as it goes through its next cycles.

Since *Achieving great art for everyone* can be seen almost as a case study in the possibilities and limitations of current funder behaviour, I want to use the proposed funding streams mentioned in the consultation document as illustrations of how taking a different approach to investment could be put into practice.

Some principles underlie my recommendations in this section; they are drawn from the literature and field research and from funding

models and practice in the non-profit sector in the US. Especially powerful are some of the arguments and mechanisms emerging from the Nonprofit Finance Fund, a ground-breaking institution investing in non-profit organisations. These mechanisms have some similarities to both venture capital funds and endowments of non-profits. Investment is applied to build organisations that support cultural or charitable objectives, not to create wealth or economic return. (Money may be returned for re-use in some circumstances.)

Arts Council England's new funding streams, and those of others supporting the sector, should recognise a very clear distinction between money provided to fund a programme of activity (essentially *buying*, providing revenue in return for certain outcomes) and money used to *build* an organisation over a defined period of time into a state where it has a reliable set of people or funders willing to buy its services and the capacity to maintain that and adapt if need be. This may mean developing its business model and services over a period of time, its staff or its capital assets.

George Overholser, of the Nonprofit Finance Fund, from whom this notion of buying and building is borrowed, has described the latter kind of funds as 'patient capital', although the term 'growth capital' is also used. (Although there is a risk of confusion, I believe it would be helpful for us to decouple the word 'capital' from just building projects, to encourage a greater financial literacy in the sector.) Overholser's paper *Building is not Buying* explains why the mixing of growth capital and revenue funds in non-profit accounts can lead to underlying revenue gaps being missed for years – until the crunch. It splits what is often simply lumped together as 'funding' into three categories:

• investment is money from financial partners who join management's efforts to build a sustainable firm
• revenue is the money a firm receives from its customers in return for products or services rendered
• growth capital is used to build the means of production

Overholser defines 'growth capital' or 'patient capital' as what 'pays the bills while organisations learn everything it takes to attract

satisfied customers, who say, "I like what you do. I want to pay you to do more of it. And if you keep up the good work, I'll pay you to do it again and again".'

This is arguably exactly what the Arts Council does when it supports arts organisations through development funding. However, the objectives of this investment have not always been clear. At times, the Arts Council has developed organisations and become their biggest 'customers' through regular funding, putting them straight into the Vulnerable Dependence category if they have not also used that investment to develop other customers. (I would point out how often it is exactly this kind of agency or function that stops being regularly funded when our agenda, and therefore our 'custom', moves on.) The Arts Council has rarely been thorough enough in including this kind of development into the building of a business with a wide range of satisfied customers and the other characteristics of resilience. It has generally underestimated the time needed to build reliable income. The evidence suggests that if the Arts Council was more explicit about when it is funding the *building* of arts businesses, *as partners*, and when it is *buying* arts activity on behalf of the public, *as customers or proxy-customers*, it would lead to positive change in organisations' resilience by requiring greater clarity of business model and funding requirements. It would also encourage development of the resources and skills of resilience set out in Section 8.

The Nonprofit Finance Fund has developed a 'quasi-equity' tool called the Sustainable Enhance Grant, which raises patient capital that in some ways resembles an endowment for a building or programme. It differs in that it is designed to be exhausted in creating an organisation that will be able to operate without it in the long term. This is similar to the way in which venture capital supports businesses before they become profitable, or invests to make greater profit in the future. However, the 'profit' here would be social, or in the Arts Council's case, cultural. The investment mechanism also has some similarities with the way Stabilisation and Recovery functioned, although in general England has not taken enough from models generated elsewhere.

6 There are interesting examples of how this can create new opportunities. Theatre by the Lake in Keswick, for instance, has been given 10 years of funding by one local authority, which it will use to purchase a building to provide accommodation during the theatre's seasons and an income stream into the future.

To *building* and *buying*, Arts Council England needs to add strategic, often sector-level, interventions. These could be designed to ensure the current and future health of the ecology rather than the maintenance of individual elements. Examples of where it has successfully done this in the past would include Decibel and the race equality plans, Turning Point, New Audiences and Artists Insights.

It is essential that mechanisms for regular funding do not inadvertently encourage rigidity or dependence in key organisations, as has sometimes happened with the fabled 'regularly funded organisation' status. They need to continue to adapt, or they will become less resilient and less productive artistically. Therefore, this category should not give the message that organisations will be funded whatever happens. There are two possibilities that might co-exist. First, it could be made clear that this category is about 'buying' – organisations are funded to deliver programmes of work, but given predictability over a long period, and must look to themselves or other investors for organisational development. Second, the Arts Council could enter, in some instances, into very long-term (10–15 years) 'building'-type investments which support the development of other income streams that will remove or reduce the need to 'buy' on a perpetual basis. Organisations would need to meet a stringent set of criteria for this to be considered, including strong management team, robust business model, some financial stability and a track record of huge impact on Great Art For Everyone. Investment could be in large chunks, enabling use of a different kind than the drip-feed of current revenue payments. It might give some organisations money up front for a whole year or longer to invest.[6] The quid pro quo would be that organisations become increasingly self-sufficient during the process, perhaps with tapering funding towards the end. This would be a more imaginative way of using substantial investment of money to grow sustainable, resilient businesses rather than endowment models which are rare, not currently delivering huge returns and increasingly questioned even in the US. It would give far greater value for money to the public purse, but also signal more resilient behaviour within the sector. The US models also indicate that this approach can sit very well with philanthropic funding, and public funds could be used as 'challenge

funds' to encourage great private giving to shift the balance over a period of time.

The Arts Council's statements on fixed-term funding are rather vague at present. The Arts Council should avoid any suggestion that fixed-term funding is for organisations that are simply more 'dispensable' than those receiving regular funding. It should also avoid confusing fixed-term funding with strategic commissioning, although of course commissioning is by its nature fixed term.

The distinction between building and buying should also be explicitly built into this strand, though there is a strong argument both should be done through fixed-term funding. I would suggest that 'buying' should concentrate on subsidising the work of organisations whose programmes have a very strong fit with the Arts Council mission and current opportunities, but require financial assistance to reach their true potential and potential audience. This would be closest to the usual definition of 'project' funding, but may not be tied to one 'project'. Fixed-term 'building' funding should be used to develop organisations that can obtain predictable income from elsewhere by the end of the period of fixed-term funding. This assumes shorter periods than that of the regular funding described above. However, this often takes longer than one of the funding cycles, even for very strong organisations, and funding should be structured in such a way as to support that. (My experience suggests you take the time you first thought, then double it…)

Regardless of length of agreement, funding should be provided where the mission of the organisation is in harmony with that of the Arts Council, rather than for delivery of specific goals in the current plan. This helps avoids inadvertent mission-drift on the part of the funded. Specific goal-related work should be commissioned.

Essentially, Arts Council England should commission only those activities or interventions that are not provided by its own core activities and staff or those of the current and emerging arts ecology. The commissioning process should have four key stages:

- needs analysis using ecology/system perspective – what would make the ecology better, stronger, more productive, etc
- identification of what strategically important gaps/weaknesses there are in current activity to address those needs
- procurement of outcomes addressing the needs
- evaluation and learning

All work commissioned should be thoroughly evaluated and learning then integrated into the next needs analysis. Procurement cycles need to be long enough to allow gaps to be genuinely addressed, monitored tightly to provide early signs of change or problems and subject to renewal should the need persist. Any future capital or organisational programmes should look to help change business models rather than simply shore up pre-existing models with extra funding or new venues and facilities, although additional resources may be needed to facilitate that change. The 'patient capital' approach described above should be adopted, but with additional support for organisational development. This would provide a fund to be accessed while the business model is reviewed, adapted and then implemented to the point where it can consolidate.

One final point, drawn from the Intelligent Funding Community group brought together by Arts Council England, North East and Northern Rock Foundation, is that funders can collaborate powerfully to achieve change. Often this is in the context of developing a place, sector or other agenda, but it also applies to how funders work, and the influence this has on the behaviour of those receiving funding. Much greater creative collaboration between funders could reap significant benefits, a task given urgency by the changing funding environment.

11. Recommendations

This analysis informs the following recommendations.

1. Shape funding programmes to develop adaptive resilience in organisations and sectors of the arts, recognising the distinction between building organisations through growth or patient capital and buying activity through revenue support for programmes of work.

• the Arts Council and other public and private investors in the arts should work together to map financial instruments and ensure a diversity of investment mechanisms exist that can meet the various investment needs of the arts sector in building resilient organisations
• the Arts Council and others should work with artists and arts organisations to ensure all involved have the skills to best utilise the full range of investment mechanisms available
• greater use should be made of expertise from elsewhere in the world, across all aspects of investment practice from microfinance to major endowments and capital programmes

2. Develop understanding and debate about adaptive resilience in the arts sector
• funders, development agencies and sectoral bodies should consider the version of an arts ecology described here and collaborate with others in commissioning research to assist in further developing a powerful picture of the arts ecology as a basis for achieving great art for everyone
• the Arts Council and other public and private investors in the arts should give further consideration to the impact of locality or place on the arts and vice versa, and integrate this into any future frameworks for shaping portfolios of funded organisations
• both funders and the funded should consider the characteristics of resilient organisations described and integrate those into self-assessment frameworks, using them to inform support to organisations

3. Improve understanding and use of an adaptive resilience approach to organisation and sectoral development
- all parts of the sector should collaborate to improve understanding of systems-thinking broadly, and resilience and sustainability issues specifically, through research, publication and debate, training and development
- Arts Council should put greater emphasis on developing adaptive resilience in artforms and sub-sectors as well as individual organisations, and develop their staff's ability to do so
- funders should be more rigorous and challenging when organisations do not shape business models to available reliable income and focus on moving them towards adaptive resilience rather than dependence

4. Improve sectoral understanding of the importance of adaptive resilience through experimentation and sharing of best practice
- thinking around adaptive resilience, from many perspectives, should be widely disseminated to the sector, as a stimulus for debate, a tool for self-assessment and to inform business planning
- further experiments with place-based and artform/sector-based collaborative working, building on examples of such as Liverpool Arts and Regeneration Consortium and ERA21 should be conducted
- investment in improving leadership and governance should be continued, ensuring adaptive skills are core to notions of workforce development
- collaborative and peer-supported approaches to building adaptive resilience and new models to should be developed as action research projects

Appendix 1:

Organisations and

individuals interviewed

Erica Whyman, Northern Stage, Newcastle-upon-Tyne
Patrick Gilchrist, Theatre by the Lake, Keswick
Mandy Precious, Burnley Youth Theatre
David Micklem, Battersea Arts Centre, London
Euton Daley, Pegasus Theatre, Oxford
Cilla Baynes, Community Arts North West, Manchester
Belinda Kidd, Liverpool Arts Regeneration Consortium
Michael Eakin, Royal Liverpool Philharmonic
Alistair Spaulding, Sadler's Wells, London
David Pickard, Glyndebourne, Lewes
Nick Starr, National Theatre, London
Neil Astley, Bloodaxe Books, Northumberland
Robert Laycock, Helix Arts, Newcastle-upon-Tyne
Martin Sutherland, Royal & Derngate Theatre, Northampton
Vince Attwood, Soft Touch, Leicester

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About the author

Mark Robinson is the founder and Director of Thinking Practice, a consultancy dedicated to increasing the impact and resilience of the arts and cultural sector through the creative use of analysis, planning, facilitation and coaching. He was previously Executive Director of Arts Council England, North East, where he worked for 10 years Prior to that he had various roles in arts development and education in Tees Valley and the North East.

He has published academic research in community and literature development, arts and health and arts and regional identity. He is also a widely anthologised and award-winning poet, editor and critic, with several collections published. New poems will appear in bi-lingual English/Bulgarian versions in 2010, part of an ongoing collaboration with leading Bulgarian poets. He is now an Associate of Mission Models Money, the chair of the Swallows Foundation UK and a Fellow of the Royal Society for the Arts.

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