Beethoven Inc: The Corporatisation of Australia’s Symphony Orchestras

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Abstract For a number of decades many governments have withdrawn from direct involvement in the provision of many goods and services. Under the broad umbrella of privatisation, authorities have used a number of techniques to make government departments more business-like and responsive to consumer needs. While privatisation involves complete divestment of a government entity, corporatisation involves converting it to a more corporate model, albeit a nonprofit one, while still retaining ownership. Using the literature on corporatisation and the nonprofit firm, this paper develops a series of models designed to help explain the potential issues that may impact on government owned cultural organisations that undergo such a process. The paper uses the case of the Australian Broadcasting Corporation’s six symphony orchestras as an example to demonstrate the application of the framework.

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Introduction

This paper looks at the corporatisation of the six symphony orchestras owned and operated by the Australian Broadcasting Corporation (ABC) that occurred over a period of 5 years from 1996 to 2000. The ABC was responsible for developing a national network of orchestras in each state of Australia in the 1950s, which grew from small radio ensembles created in the 1930s. Over time however it was perceived that the institutional model developed was no longer able to support the individual artistic development of these ensembles (Senate Standing Committee on Education and the Arts 1977). After a number of reports into the management and ownership of the orchestras during the 1970s and 1980s, a nonprofit corporate model was chosen to best support the future development and provision of orchestral services in Australia. This model was first announced in 1994 as part of the Federal government’s national cultural policy, Creative Nation, for the Sydney Symphony Orchestra to become a separate entity, but would ultimately lead to all six orchestras becoming solely owned subsidiary companies of the ABC.

To understand the implications of this change in organisational structure the paper will examine the literature on corporatisation and the nonprofit firm to propose a number of models to identify factors that will potentially influence the development of sustainable symphony orchestras in this context.

Corporatisation

For over 20 years the governments of many Western countries have looked to question their role in the provision of various goods and services to their constituents.
This public sector reform process has utilised a number of approaches under the broad umbrella of privatisation. According to Dixon and Kouzmin the literature on privatisation “defines a spectrum ranging from the full or partial sale of Government assets, the contracting out of Government services and the deregulation and corporatisation of Government service monopolies to the invocation of the user pays principle” (Dixon and Kouzmin 1994: 54, emphasis added). Corporatisation occurs as a result of a “structural reform process” in which government agencies or organisations are restructured to allow them to work on a more commercial basis in a competitive market (Cook 1999: 211). This new structure while retaining government ownership allows the organisation to behave more like a private sector enterprise (Brown, Ryan & Parker 2000: 208) and to operate on the “user pays principle” (Dixon and Kouzmin 1994: 56; Throsby 1998: 49).

Boorsma (1998) offers examples of corporatisation consistent with these definitions. Here the transformation takes the form of state owned and operated organizations moving to more independent organizations, operating at arms length with “private legal status” such as a stock company or corporation. The privatisation process therefore relates mainly to the functions of the organisation and not ownership. Functions such as the maintaining of the collection and preparing and holding exhibitions, the auditing and personnel functions, and more importantly planning, are under the control of the management and not the shareholders (being the government) although he concedes strategic decision-making often remains a shared responsibility. The privatisation process is partially restricted because in the funding sense, much of the income still comes from the State. Finally he concludes the director “is running a business which for the most part - the collection and the building - is owned by the State” (Boorsma 1998: 31).

A number of authors cite the main driver of corporatisation as promoting “cost-efficiency and cost-effectiveness by exposing the public sector to market forces” (Dixon and Kouzmin 1994: 55; see also Brown, Ryan and Parker 2000). This notion of increasing efficiency through competitive mechanisms is based on the assumption or belief that private markets are efficient and a superior method of distributing goods and services, including those historically provided by the state (Doolin 2002; Brown et al 2000).

Throsby (1998) notes that when discussing the economics of privatisation one must make clear the distinction between efficiency and ownership. While arguments often revolve around whether government should or should not be involved in certain activities, notions of economic efficiency should be more objective. Throsby notes that from previous empirical work “ownership per se is not what causes differences in efficiency in producing output of a given quality, but competitive pressures, corporate organisation, management structures, incentive patterns, work practices and so on” concluding that “...the ‘corporatisation’ of public utilities, and introduction of competitive pressures on their management, may have just as great an impact on their efficiency as would their privatisation” (Throsby 1998: 50).

The notion of increasing efficiency through privatisation measures such as exposure to market pressures, outsourcing, and other mechanisms can prove difficult when applied to cultural institutions however. The structures of the performing arts for example, see a large proportion of costs being labour costs in the form of artists’ wages and fees, offering little room for efficiency gains. In fact this cost structure has led to performing arts organisations potentially suffering from what is termed the productivity lag first highlighted by Baumol and Bowen (1966), which will be discussed later in this paper.

Another difficulty that is encountered when assessing efficiency in a performing arts organisation is determining what unit of output is to be measured. In a number of studies of symphony orchestras for example, the unit of output measured is the concert performance (see Lange and Luksetich 1993; Felton 1994). As musicians are contracted for a set number of calls in a given period, increasing the number of performance calls will directly influence the number of calls available for rehearsal, which may impact on the quality of the end product. It should be remembered however
that when “purchasing a ticket to a performance good, such as a movie or sporting event, the consumer does not actually buy the product, but simply access to viewing the product” (Marburger 1997: 375). As a result it may be more appropriate to look at individual access to the performance, or the attendance figures, as useful measures, as opposed to merely the performances as a whole. Felton however notes that attendance is in fact more a measure of demand than output and therefore should not be used to determine efficiency. While using total performances as the output measure in her study, she does concede that from an economic perspective, the total number of tickets for sale per season would be an ideal measure of output when determining efficiency (Felton 1994: 303).

The corporate model described previously has seen a number of government owned cultural institutions moving more towards the nonprofit sector and this can have some advantages. Smithuijsen noted in Western Europe that this move has allowed for the separation of “responsibility for cultural supply and the responsibility for cultural policy” as well as allowing the organisation to retain “a fixed level of subsidy, at least for a period of several years” (Smithuijsen 1998: 84). Cavenago, Francesconi and Santuari (2002) offer that in Italy “the public/private combination offers legal and organisational dynamism, flexibility and adaptability. The public/private partnership combines the pursuit of public goals (assets bound to specific objectives) with an entrepreneurial spirit” (Cavenago et al 2002: 23).

This notion of “entrepreneurial spirit” comes from another driver of the reform process in the public sector, to develop greater customer focus and commercialisation practices in the delivery of goods and services. The greater focus on the consumer has been noted by many (Dixon and Kouzmin 1994; Brown et al 2000; Doolin 2002) however the balance of satisfying paying customers and also government policy directives can produce potential problems in relation to accountability (Brown et al 2000). Additionally there is an assumption that a “price” can be fixed for all goods and services and the notion of a “public good” and the “public interest” remains problematic in adopting market solutions to service provisions (Brown et al 2000). The placing of government enterprises on a commercial basis in a competitive market can therefore have significant social impacts.

Government subsidy for cultural activity is often based on arguments of public goods and the added values they bring, which may contribute to market failure in the provision of an optimal level of supply, if left to a free market. Cultural goods provide society “indirect benefits that flow from the existence of a vigorous cultural sector” and “have an intrinsic social value that cannot be measured in market terms” (Stevenson 2000: 7). In addition it has been noted that issues of equity imply that full cost recovery is not always appropriate as “all citizens should have at least some access to the nation’s heritage of art and culture” (Heilbrun and Gray 2001: 244), no matter of their ability to pay.

Conflict can also occur in relation to the quality of the output, as the drive for improved commercialism and entrepreneurial style management encourages owners to seek expertise in these areas from the private sector. Bamford and Porter-O’Grady (2000) when studying the effects of shared governance within the market-oriented health care system of New Zealand noted that the new model in providing incentives to both minimise costs and increase market share impacted negatively on the level of health care being offered. Managers from outside the healthcare sector had little understanding of the complexities involved, which lead to an “underlying conflict between the caring relationships and the related work in the clinical environment, and the desire for efficiency and economy.” (Bamford and Porter-O’Grady 2000: 83)

Many arts and cultural organisations in Australia have looked to recruit leadership from non-arts private or public sector backgrounds. In addition board membership has increasingly focused on generic business skills and experience at the expense of artistic leadership. Caust (2002) notes that this lack of artistic understanding can lead to an inability to deal with artistic issues appropriately, citing the crisis of the 2002
Adelaide Festival of Arts and its artistic director, Peter Sellars, as a consequence of such an approach.

Others have also noted the potential impact on the quality of outputs as organisations are forced to adopt commercial values (see Throsby 1998; Shleifer 1998 for example). In relation to performing arts organisations and the need to attract larger audiences it has been suggested arts managers must adapt to the dual task of increasing financial viability and at the same time ensuring the promotion of “their ‘quality’ art as a leisure product” (Smithuijsen 1998: 84).

Methods of encouraging a balance of quality of both output and service delivery against the incentives to increase efficiency include binding providers to explicit levels of service through contracts (Shleifer 1998), by identifying and costing community service obligations in government business enterprises (Cook 1999; Sheil 2000) or by adopting the nonprofit model of organisational structure (Shleifer 1998).

The Nonprofit Firm

Shleifer argues that there is an alternative to both government and profit maximising suppliers, namely not-for-profit provision. This argument is based upon the assumption that “Nonprofit firms use the surplus they generate to consume perquisites, to improve the lives of their employees, and even to increase quality when these nonprofits are socially motivated” (Weisbrod 1988; cited in Shleifer 1998:140). Nonprofit firms can be utilised to fulfill needs where market failure discourages for-profit firms to enter or where there may be an undersupply from government agencies (Holtman 1983). Nonprofit organisations are presented as a response to various market failures, in particular market power, asymmetric information, and public goods (Gui 1991). They are also used where the output can’t easily be observed or assessed/valued by the contractor (Easley & O’Hara 1983).

Nonprofit firms can make a “profit” but by law they cannot pass this on to the owners. In nonprofit firms the distribution of any “surplus” must go to the beneficiaries of the organisation – not the owners (Gui 1991; Mertens 1999). In many cases the “beneficiary” is enriched by working to fulfill the mission of the organisation and in arts organisations that is generally translated into development and dissemination of the artform.

Performing arts organisations are often not able to rely solely on box office returns, also requiring the support of donations and subsidies. As such the nonprofit model affords some security to philanthropic providers that the funds they contribute will go to the cause intended and not the pockets of management or the shareholders (Hansmann 1981). This concept of altruism along with cause-related zeal and personal motivation are often at the heart of employees of nonprofit organisations (Rose-Ackerman 1996; Gassier 1998; Zimmerman 1999). This is no different in arts and cultural organisations where the commitment to the artistic profession is what should drive all members of the organisation.

Because of this inherent motivation to push the level of artistic achievement to ever increasing heights, there can arise issues of pushing both the quality and quantity of provision beyond what might be considered an optimal level – and for arts organisations this relates directly to supporting creative freedom and artistic quality versus the expectations of commercial efficiency and accountability (Holtman 1983).

This effect can be exacerbated due to the lack of traditional incentives to manage nonprofit firms efficiently as there is no ability to direct potential surplus gains back to management (Keating 1979; Holtman 1983; Rose-Ackerman 1996). There are of course many motivations for individuals in their work and some suggest that those looking for financial rewards and prestige are drawn to for-profit firms, while those driven by technical achievement are attracted to nonprofit firms (Young 1989; cited in Chasse 1995: 330).
The arts manager must have an intrinsic motivation to see the organisation and the artform it disseminates succeed and flourish. To do this however she/he must also be able to balance the financial needs of the organisation, the requirements of the multitude of stakeholders as well as support the artistic goals of the organisation and the artists themselves.

From Institution to Corporation

Using the literature as a basis, a number of simple models can be developed which look at various aspects of an organisation from different perspectives. Figure 1 describes an Institutional Model where a government owned institution is depicted as being not business oriented or entrepreneurial and subsequently inefficient. The operations of the organisation are centred on primarily fulfilling either the government’s or the larger parent organisation’s objectives, while the product is seen as standardised with little consumer focus.

Figure 1:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Institution Model</th>
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<tbody>
<tr>
<td>Costs</td>
<td>Inefficient</td>
</tr>
<tr>
<td>Management</td>
<td>Centralised, not business oriented</td>
</tr>
<tr>
<td>Operational focus</td>
<td>Activity based on organisational needs—not entrepreneurial</td>
</tr>
<tr>
<td>Financial support</td>
<td>Single source, full subsidy</td>
</tr>
<tr>
<td>Product</td>
<td>Standardised, not responsive to market needs</td>
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</tbody>
</table>

The literature suggests that these characteristics can lead to inefficiencies and ineffective delivery, which can be alleviated through the corporatisation process. Here the organisation moves to a Nonprofit Corporate Model as depicted in Figure 2. This model allows for greater management autonomy and entrepreneurial activity. While the operational focus moves to be more customer oriented, the organisation’s activities must still reflect its mission. The organisation is now more attuned to its market as it relies on a mixed revenue base with increasing levels of earned income, and therefore begins to diversify its product offerings in response. While the notion of efficiency is not clear, nonprofit organisations must work to contain costs and achieve a financial “break even”.

Figure 2

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Nonprofit Corporate Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>Aim for break even</td>
</tr>
<tr>
<td>Management</td>
<td>Dedicated management supportive of mission objectives</td>
</tr>
<tr>
<td>Operational focus</td>
<td>Mix of organisational (mission based) needs and consumer needs—some entrepreneurial activity</td>
</tr>
<tr>
<td>Financial support</td>
<td>Mix of subsidy and market supply through sponsorship, philanthropy and user-pays</td>
</tr>
<tr>
<td>Product</td>
<td>Diversified, influence from mission objectives and marketplace</td>
</tr>
</tbody>
</table>
A fully privatised organisation on the other hand would more reflect a Commercial Model of organisation as depicted in Figure 3. In this model the greatest efficiencies should be found as a strongly business oriented management focuses primarily on financial outcomes with a view to making a profit. However the product now has the potential for exploitation as the entity is solely reliant on the market for revenue. As such, objectives that do not produce financial benefits to the organisation are no longer deemed viable, in turn potentially affecting both quality and quantity of supply.

**Figure 3**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Commercial Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>Profit making</td>
</tr>
<tr>
<td>Management</td>
<td>Management based on business expertise</td>
</tr>
<tr>
<td>Operational focus</td>
<td>Financially based with focus on consumer demands—very entrepreneurial</td>
</tr>
<tr>
<td>Financial support</td>
<td>Fully market supplied</td>
</tr>
<tr>
<td>Product</td>
<td>To be exploited, market orientation</td>
</tr>
</tbody>
</table>

It is expected that the move to a nonprofit corporate model of organisation will help to bring about the necessary economic and structural changes required to create greater efficiencies and effectiveness than are present in the institutional model. At the same time the goals and objectives inherent in the original organisation should be protected as these now form the basis of the new organisation's mission.

It has been noted that as management reacts to new pressures, particularly financial, brought on by corporatisation they may strive to further increase their market orientation and efficiency of operations to counter the impacts. In such a case the organisation may begin to adopt a number of aspects of a more commercial nature and reflect more characteristics of the commercial model than the nonprofit model originally envisaged. The closer the organisation moves to the commercial model by taking on those characteristics, the greater chance of developing stress within the organisation through conflicting mission based and financially based goals.

**Symphony Orchestras**

The symphony orchestras of Australia are a good example of arts organisations that can be used to test the various concepts put forward in the literature on both corporatisation and nonprofit firms.

Symphony orchestras are large classical music ensembles consisting of anywhere up to 100 or more professional musicians. The modern symphony orchestra has developed from a European tradition that has its roots in the 17th and 18th centuries. While early musical ensembles of the 17th century developed independently in response to local conditions, by 1730 – 1740 the orchestra was a recognisable institution in its own right across many parts of Europe including France, Italy, Germany and England. Over time as composers began to write for standard instrumental groupings, regular ensembles began to emerge. The modern symphony orchestra has evolved from ensembles developed in the 1800s where ever-increasing commonalities can be found between composers' symphonic scores of the times. During the 19th century there appeared a greater resemblance of instrumentation, organisation and performing practices between orchestras and orchestral musicianship became a profession in its own right (Spitzer and Zaslaw 2001).

While the development of the symphony orchestra ensemble can be traced from
European traditions (Spitzer and Zaslaw 2001), there are differences between the organisational structure of orchestras in Europe and other continents. The traditional European model is an individual organisation supported by members of the nobility and/or the church moving into a contemporary context of support from the state (Allmendinger and Hackmann 1996). A number of these are state owned while others are based on cooperative models being player owned and managed (Spitzer and Zaslaw 2001).

The United States experience however shows a different approach with the development of a board led organisation with philanthropic support being the predominant model (Starr 1997). In Australia the six major symphony orchestras were developed from radio ensembles as part of the national government broadcaster.

No matter what the structure of the symphony orchestra they usually have a monopoly in their local market or in some instances in very large cities an oligopoly (Spich & Sylvester 1998; Smith & Komaya 2001). As such they have not been historically market oriented, resulting in an organisational climate intent on maintaining lofty artistic goals (Brooks 1997).

Due to the size and organisational structure of symphony orchestras they have large fixed costs, predominantly made of musicians’ wages and artists’ fees. While the cost of repeat performances is minimal, market appeal often limits the ability to spread the fixed costs over sufficient performances to be commercially viable (Hansmann 1981).

There has been much written on the effects of productivity restraints faced by the performing arts in general. First commented on by Baumol and Bowen (1966), the now-called “Baumol’s cost disease” has been the topic of many studies (see Brooks 1997, 2000; Felton 1994; Ekelund and Ritenour 1999). Ekelund and Ritenour note “For orchestral performances, however, Baumol’s disease is, in the limit, inescapable.” (1999: 888). The argument in an orchestral setting for example highlights that it takes as much time and as many musicians to perform Beethoven’s *Eroica* Symphony in 2004 as it did when it was first performed in 1804.

The necessity to stick to traditional musical score requirements has led to issues of the increasing income gap where rising costs (musicians’ wages, fees, etc.) cannot be matched by increasing the productivity output. However, some authors suggest that there are productivity gains to be made and that in fact it may not be possible to use Baumol’s “cost disease” to fully explain this gap (Brooks 1997, 2000; Starr 1997). For example it has been noted that gains have been made using technology such as the introduction of digital recording technology and greater acoustic engineering to allow bigger venue sizes, reaching larger audiences per performance (Brooks 2000). Another factor that may help orchestras to overcome cost issues is to achieve some economies of scale (Globerman & Book 1974) or economies of scope by increasing the mix of product offerings (Lange & Luksetich 1993).

The issue of income generation is possibly exacerbated due to the fact that the output of preserving the musical tradition per se is not valued in the market place (Spich & Sylvester 1998). As stated before, the modern symphony orchestra structure has changed little since the 19th century, and so has the core product of the organisation, the live concert (Spitzer and Zaslaw 2001). Kolb (2000) explains the role the Concert of Ancient Music founded in London (1776 – 1848) has had on classical music performances. Indeed the term ‘classical’ was used here to differentiate the repertoire performed by this foundation from Italian opera, which was the popular choice of the day for entertainment. The society presented formal classical concerts in an attempt to “reproduce for the public the private performance of music available to the nobility” (Kolb 2000: 26). Other early societies that helped shape the modern classical concert performance include The Royal Philharmonic Society of London (1813) and the Philharmonic Society of New York (1837) (Spitzer and Zaslaw 2001).

This is an important issue given the desires of the musicians themselves to preserve
these traditions are often high. In fact it forms part of how professional musicians define themselves. Activities undertaken predominantly for commercial reasons can be seen to undermine traditional values and may be at odds with the professional identity and image the musicians have of the organisation and themselves, leading to conflict with management and even industrial action (see Glynn 2000 for example).

The Australian Orchestras

In the 1930s the development of radio ensembles began in each state of Australia by the ABC, primarily to service their broadcasting needs. In 1942 the ABC Act included a clause authorising the ABC to hold public concerts, stipulating however that all or part of every live performance for which a fee was charged must be broadcast. Over the years the ABC developed a network of six professional symphony orchestras undertaking a mix of live performances and recordings for broadcast. Each state supported financially to some extent their local orchestra but they were owned, managed and operated by the national broadcaster.

In 1980 the federal government undertook a major review of the ABC, including the investigation of the issue of provision of orchestral resources. The Dix Report as it was known was published in 1981 and in part looked at the orchestras and the provision of music in general by the ABC. It recommended the merging of two separate departments of Music (managing the orchestras) and Concerts (managing and promoting live concerts), creating one department to manage orchestras and concerts together. This department was to be called Music Australia and in the medium term would separate from the ABC and take the orchestras with it to become an autonomous entity (Commonwealth of Australia 1981).

In 1985 the first detailed report specifically dealing with orchestral music provision in Australia was published. The Report to the Cultural Ministers Council (Commonwealth of Australia 1985) titled Study into the Future Development of Orchestras in Australia or more commonly called The Tribe Report listed a number of merits of the incumbent system of the time, but also noted widespread dissatisfaction. It was felt that the system/structure of management of the symphony orchestras through the ABC, which had been in place for 40 years was no longer appropriate as it wasn’t seen to be either efficient or effective. The study stated that, “In very many ways the system has developed inflexibilities which now tend to operate to the detriment rather than the enhancement of Australia’s orchestral music.” (Commonwealth of Australia 1985: 14)

Whilst acknowledging the valuable contribution of the ABC in not only forming but also supporting these orchestras for 40 years, the report noted a number of weaknesses in the current system including, but not limited to:

- Declining audiences and box office
- Musician careers and employment problems
- Inefficient use of orchestral call time – focussed on broadcasting needs with orchestras allocated recording projects to fill available call time
- Management skills
- Centralised control
- Quality of artists and performances
- Poor community links

The recommendations of this report were that the orchestras should be devolved separately to local ownership so greater commitment to developing each orchestra at the local level could be generated. Individual structures were to be designed on a state-by-state basis according to local needs (Commonwealth of Australia 1985: 5).

Neither the Dix nor Tribe models were accepted by the states due to the increased costs that would be incurred through replacing core ABC services and from administrative duplication between states. The ABC did work to address the issues raised however and a new Concert Music Division was developed combining the previously separate aspects of music and concerts. In addition local management teams were created
for each orchestra with a view to giving some local autonomy.

Whilst some attempt was made to address the issues raised in the previous reports, many of the characteristics depicted in the Institutional model are evident in this original structure. While it was acknowledged there were some economies of scale evident in the national network, there were also inefficiencies evident in use of orchestral resources. Much of orchestral time was used for broadcasting and studio recording work to fulfil organisational requirements. This centralised process of decision-making led to standardised outputs with little consideration of individual community needs or orchestra strengths. An inability to pursue more entrepreneurial activity and a lack of community links seemed to stifle both artistic growth and diversified financial support.

In 1994 the Federal government’s Creative Nation policy was launched which in part announced that the Sydney Symphony Orchestra (SSO) would be removed from the ABC along with its funding to become a separate entity. Additional federal funds were to be allocated to bring the ensemble to international standard (110 musicians). The rationale for this restructuring was the belief that “The world’s finest orchestras all operate under local control, and are accountable first and foremost to their cities of residence” (Commonwealth of Australia 1994: 27). This policy also opened the door for other orchestras “to develop further, if necessary outside the ABC” (Commonwealth of Australia 1994: 28). The remaining orchestras were able if they desired to “put a case to the Government for divestment if they see fit” (Commonwealth of Australia 1994: 28).

In February of 1996 the SSO was created as a wholly owned subsidiary of the ABC. This new structure saw the creation of a nonprofit corporate entity with the sole shareholder being the ABC.

Over the next 10 months a number of discussions were held between the Cultural Ministers Council, the Federal government’s Department of Communications, the Information Economy and the Arts (DCEIA), the ABC, and the orchestras. These discussions focused on developing a structure for the orchestras that would provide operational, managerial and financial independence while maintaining the benefits of a national network. Models looked at included maintaining the status quo (leaving the five orchestras within the ABC) as well as others based upon those presented by the Dix Report (creating a separate national network outside the ABC), the Tribe Report (total divestment to separate local entities) and Creative Nation (corporatisation as a government subsidiary) (Cultural Ministers Council 1996a).

It was identified however that the first three options would not provide the required independence sought by the orchestras while at the same time providing economies of scale that were being achieved through the national network ownership. The fourth option proposed that the remaining orchestras join the SSO as independent subsidiary companies of the ABC with the Concert Music Division being incorporated as a seventh company. It was argued that this would provide the local ownership desired for each orchestra while also retaining positive aspects provided by a national “umbrella” organisation (Cultural Ministers Council 1996a).

This fourth model would “retain links with the ABC while being actually “owned” by the orchestras themselves, thereby increasing local control, self sufficiency and autonomy” (Cultural Ministers Council 1996a: 4), while also providing the following benefits:

- Strengthening of incentives for local stakeholders to increase their commitment to their orchestra
- The maintenance of ABC links, efficiencies and scope to retain national programs
- Allowing for the provision for direct funding to individual orchestras or centrally determined funding (Cultural Ministers Council 1996a).

Ultimately the nonprofit corporate model was adopted for all orchestras. The Concert Music Division was to be corporatised as Symphony Australia and all orchestras would
become fully owned subsidiaries of the ABC. Funding of the orchestras was to be removed from the ABC budget and redirected through Symphony Australia (later the Australia Council) to the orchestras. All states agreed to provide additional funding to orchestras as well as the Federal support (Cultural Ministers Council 1996b).

On 1 July 1997 the corporatisation process continued with Symphony Australia being created and the Melbourne Symphony Orchestra and Adelaide Symphony Orchestra corporatised as nonprofit companies. This was followed by the Western Australian Symphony Orchestra in 1998, the Tasmanian Symphony Orchestra in 1999 and finally the Queensland Orchestra in 2000.

Under these new arrangements it was envisaged that each orchestra would be better placed to pursue artistic and operational practices in response to its own local environment. It is proposed that these changes would allow each orchestra to strive for greater artistic achievements and to develop “a more distinctive, local character”, (DCIEA 1997).

The move to the nonprofit corporate model should work to address the issues raised in earlier reviews. Devolving the orchestras to local control would allow dedicated management teams to be developed and allow the introduction of an entrepreneurial spirit. The orchestras would be able to build greater community links and move to a greater customer focus. This should produce a greater diversity of product offerings as the orchestras seek to gain some economies in response to local market conditions. The nonprofit structure with government ownership should also help to preserve the artistic goals and values inherent in the new mission-based organisations.

However as individual orchestras work to establish their presence in their local market, each will have to deal with the external forces unique to their situation as they seek to develop sustainability. Some orchestras may find financial pressures in particular push the organisation to seek relief by moving closer to a commercial corporate model, rather than the nonprofit model envisaged. As individual orchestras seek to address productivity issues and rising costs, management may begin to take a more commercial orientation. Attempts to increase productivity while reducing costs, as well as a greater reliance on the user-pays principle, may impact negatively on the supply and/or quality of its products.

Conclusion

This paper has looked at the case of the Australian symphony orchestras that were originally developed within the national broadcasting organisation, the ABC. While the ABC was a major pioneer in the development of symphonic music in Australia from the 1930s, there became a time when this was seen as actually stifling the orchestras’ development. A number of reports looked at the structures of both the parent body the ABC and the orchestras themselves. While it was agreed that there were economies of scale to be had through a national network of six orchestras, the central management of the institutional framework hindered both individual development of the orchestras and musicians.

The decision was made in the 1990s to devolve each orchestra to local autonomy through the process of corporatisation. Free from direct management of the ABC, it was envisaged that the new nonprofit structures would allow each orchestra to create its own identity, promote a greater sense of ownership and commitment from the local community and support individual artistic development.

However through this process each orchestra is now open to broader market pressures and must react independently to its own operating environment. Working to increase efficiencies in reaction to these market forces, individual orchestras may look to factors more in line with a commercial operation. More business oriented management and increases in customer focus and market orientation to ensure supply of funding from the market place, may hinder the long-term artistic
development sought.

How each orchestra reacts to these pressures will influence their future development. The closer an orchestra moves to the commercial model by taking on those characteristics, the greater chance of developing stress within the organisation through conflicting artistic and financial goals. Incongruence between these two aspects of organisational life can lead to loss of commitment by organisational members, which in turn can affect productivity and quality of outputs, further undermining the organisation’s sustainability. Ultimately a balance must be found for each orchestra that takes into account its own unique situation, its members’ willingness to accept change and its ability to adapt to the new environment in which it now operates.

References


