



**Small business and the arts:  
encouraging arts companies to be business innovators**

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Rosemary O'Connor  
Innovation Manager  
RMIT Business  
Ph: 61 3 9925 1383  
Email: [rosemary.o'connor@rmit.edu.au](mailto:rosemary.o'connor@rmit.edu.au)

Peter Sheldrake  
Professor of Entrepreneurship  
RMIT Business  
Ph: 61 3 9925 5680  
Email: [peter.sheldrake@rmit.edu.au](mailto:peter.sheldrake@rmit.edu.au)

***Abstract***

Arts companies have long been at the forefront of good management practice, as a result of having to work with limited resources in an uncertain environment. However, there is scope to enhance the use of their creative and entrepreneurial skills in relation to their business activities, and not just their art form. RMIT's Centre for Excellence in Entrepreneurship has chosen cultural entrepreneurship as one of its four initial themes, and this paper examines the first stage of work in the area.



## ***Background***

The wellsprings of the arts are creativity and innovation. However, the very focus that many practising artists have on reaching deep into those wellsprings means that they often explore ideas and representations that are unfamiliar and even uncomfortable to the broader community. This is one of the main drivers for the continuing high standards of management seen in arts companies – they have to operate with limited and uncertain resources, and maximise the efficiency and effectiveness of their practice. In the small business arena, many arts companies are leading exponents of best practice, even though they seldom see themselves as either in ‘small business’, or as working at ‘the leading edge of business practice’.

Of particular interest is the extent to which current enthusiasm for encouraging innovative and entrepreneurial practice is taken up by arts organisations. Given the skills of their practitioners, it would seem likely that this would be a key element of what is done. However, one of the two authors, who has worked with arts companies for twenty years, has found that many arts companies see their business practice as separate from and enabling their arts practice, and do not apply their creative skills to developing new ways of operating the company as a business.

Of course, this implies a separation between the company and the practise of the art that is often hard to define. For example, in the performing arts, there are quite different models of how companies operate that have important implications for the underlying ‘business’. In ballet, it is more common to find that companies operate with an ensemble, with the underlying task to find sources of income – box office, government funding, sponsorship – that support the ensemble on a continuing basis. In theatre, many companies seek performers (and back of house staff) for each production, and many actors are only receiving income when in rehearsal or performing: here the challenge is to fund the run for each play, or the season of plays, and continuing funding is sought only for the administrative staff, often where government or business sponsorship is the core area. However, there are some ensemble theatre companies who operate in a way more closely allied with the ballet companies noted above.

While allowing for this, it is interesting to see that there are a number of small arts companies that have been innovative and entrepreneurial in their business practice (in general, this is often seen as part of the ‘social entrepreneurship field – see Dees, 2001, Spinaldi and Martinsen, 2001). RMIT is establishing a Centre for Excellence in Entrepreneurship, and saw the cultural domain as one where the need to encourage innovative and entrepreneurial business practice was important.

Working together with Arts Victoria, the Victorian Government’s agency for supporting the arts, the Centre has embarked on the development of a series of case studies of innovative companies. This is consistent with the Victorian Government’s recently released arts policy framework (Creative Capacity+ Arts for all Victorians, Arts Victoria, 2003), which emphasises creativity and innovation, and especially the need to build creative industries and to develop an economy based on innovation.



The policy refers to the need for arts companies to use limited resources cleverly and more effectively. One of the stated priority actions is to improve the strategic and business management of small to medium arts organizations.

Arts Victoria has been keen to work with RMIT to enhance the business entrepreneurial skills of arts organizations. The failure of small to medium arts companies due to poor business management brings with it a loss to the community, not only in a cultural sense, but also in terms of public investment through grants and arts infrastructure.

The rationale for the case study approach was that arts companies might be encouraged to develop more entrepreneurial approaches if they saw example of others that have done this, and have been able to enhance their artistic practice as a result (cf. Hirschfield, 2000). It was felt important not to suggest ways of being more effective – the traditional approach to working with small business – but rather to illustrate what can be done. There were two reasons for this:

- many people in the arts industry are cautious about business and business models, which are often seen as antithetic to artistic creativity and freedom; and
- entrepreneurial activity is often characterised by being ‘different’, rather than following a set formula or process.

## ***Approach***

### *The workshops*

The particular approach adopted in the first instance was to arrange a workshop for arts practitioners and administrators. The workshop had three components:

1. An introductory session, in which a presenter explored the idea of business innovation and entrepreneurship;
2. Presentations by two companies, where they had developed an innovative approach, which had helped them develop and extend their arts practice;
3. A forum for discussion, including both small group discussions and a question and answer session, to explore ideas that had been developed during the workshop.

A number of interesting issues arose out of the workshop experience.

First, although many practitioners came to a workshop, there was initial strong concern over the idea that ‘entrepreneurship’ was a valid or legitimate approach. In large part this reflected the common concern that entrepreneurs are essentially concerned to make money, and that they often engage in ‘sharp or illegal practice’. Some time was spent on exploring the importance of seeing entrepreneurship as being concerned with finding new and better ways to do things, and that the ‘new generation’ of entrepreneurs is characterised by people who are driven to succeed in business, but also to contribute to the social and environmental ‘bottom lines’.



Many organisations are now recognising this issue, and it is interesting to note that USASBE (the United States Association for Small Business and Entrepreneurship) has a division concerned with 'Entrepreneurship in the Arts'. More generally, the topic of entrepreneurship and the not-for-profit sector has been the subject of numerous comments and reviews, especially with regard to the financial motives involved (see, for example, Letts et al, 1997).

Second, it was clear that participants were fascinated by the stories of companies that had gone down a different path. As an example, one of the companies that has presented is HotHouse Theatre from Albury Wodonga. This company had its origins in the Murray River Performing Arts Group, a theatre company that faced the familiar and continuing challenges of getting government funding and running plays that brought in enough box office to keep the company afloat. A key challenge the original company faced was that it was seen as hard to sustain a high level of professional performance in a smaller city, with a shortage of trained actors and directors, and a long way away from Melbourne and Sydney. While more amateur theatre had been more acceptable many years ago, one of the impacts of television is that, by the 1990s, audiences had expectations about the quality of a theatre performance that was difficult to match.

The founders of HotHouse took a very interesting approach. They made two critical decisions – to mount theatre that was of a professional content similar to that offered in Melbourne and Sydney, and to 'import' directors from those two cities. In particular, they decided to replace the position of Artistic Director with that of an Artistic Directorate, comprising twelve leading directors from those two cities, with responsibility for setting the company's vision, planning the artistic program, appointing the artistic staff and keeping the company connected to the national theatre industry. By this means, the company was able to draw on a group that was working at a high level, with any particular production coming under the direction of one member of the directorate. With day-to-day implementation undertaken by the locally based Artistic Manager and company staff, and an emphasis on being part of the community, HotHouse also kept connected to its region. This creative blending of the national and local is rare. It is also important, given that one of its aims is to bring the regional voice to the metropolitan stage.

HotHouse Theatre also emphasised the need to ensure that its operations were viable and financially responsible. An aspect of this was its clever approach to sponsorship. In addition to obtaining arts funding from the Federal, Victorian and NSW governments, the company actively pursued sponsorships from a range of local government and business organizations, both large and small. It currently lists 15 locally based organizations among its sponsors, as well as a number of private philanthropic foundations.

Another story we found interesting was that of Strange Fruit, a street performance company based in Melbourne, well known for its distinctive combination of dance,



circus and spectacle. It was a typical example of a company built around an exceptional artist, living week to week, year to year, on the basis of new commissioned works and tours. Strange Fruit, like so many other companies in the arts, was always teetering on the edge of financial failure. While it was achieving enviable artistic success, both within Australia and on the numerous international tours it undertook, Strange Fruit had no business plan and no strategic plan. There was little if any attention to risk management, and the board consisted largely of the founder's friends and associates, and did not have a broad mix of skills and experience. In 2000, Strange Fruit faced a major crisis. Its founder had to choose whether to continue to operate on a 'project by project' basis, or move to a quite different model.

Strange Fruit decided to take a creative business leap, going straight from a project based group, based around an artist, to a company with an independent, broadly experienced board and business planning approach. What was important in that change was that the former leader of the company saw that his value was in stepping back from trying to run the operations to being the artistic driver, with the business being driven by others with more expertise in that area. It is a challenge that many small businesses fail to address, and is often the source of their eventual collapse (or even large companies, not all of which experience the wisdom of a Bill Gates stepping down from the CEO's role at Microsoft to do what he was good at doing – developing ideas).

#### *The case studies*

The response to the workshops approach was very encouraging, and RMIT and Arts Victoria decided to take a further step and prepare a series of case studies. The first of these, on Strange Fruit, has already been completed, and a second, on Hothouse Theatre, is under way. The intention is to publish a short booklet with as many as 3-4 cases, eventually, with an introduction and explanations as to the importance of thinking innovatively and entrepreneurially about the business as well as the art form.

The first case study illustrates this idea. It has been written up in an accessible form, with striking pictures of the company at work. It is in two parts. The first, and major part tells the story of Strange Fruit and its crisis in 2000 when it seemed the company would be unable to continue as a result of financial challenges. The story ends with the decisions made to build a more viable base. This is then followed by a brief section asking the reader to think about three areas of follow up questioning:

- You are thinking about starting up a new, innovative arts venture. What are some of the essential elements your venture will require to be financially viable – in other words to survive – as well as artistically exciting?
- You are advising on the composition of the Strange Fruit board. What do you think will be the best mix of people (eg, their skills, experience, knowledge, contacts etc) to bring onto the board?



- You are approaching a large business organisation for significant sponsorship funds for Strange Fruit. How would you 'sell' them the benefits of being associated with Strange Fruit? What would you expect from the company, and what might they expect from Strange Fruit?

Intrinsic to the whole approach adopted in this project is the belief that artists and artistic administrators are creative, innovative and entrepreneurial people: the challenge is to get them to apply the same innovative skills to their organisations as businesses. We believe that it is important to do this through telling stories rather than telling people what to do. Stories excite the imagination; proformas dull creativity, and become a matter of routine application that often miss the subtleties and opportunities that exist in each particular situation a business faces.

### *Discussion*

As noted at the beginning of this paper, while many arts organisations are built on creativity and innovation, this often does not extend to their business practice. Arts companies have a well justified reputation for being at the leading edge of excellent management practice, maximising efficiency and effectiveness. However, while many do an excellent job, there is an opportunity for the same innovative and entrepreneurial skills they apply in the artistic work to be used in the business domain of their activities.

We have found that a particularly effective way of doing this is through telling stories – case studies of arts organisations that have done something different. In part, it seems that artists learn by thinking about what others have done, and then reflecting on how this might be applied to their own practice.

In our opinion, there is scope to learn from this small project, and apply it to small business support more generally. Everyone seems to enjoy stories, and there is no evidence to suggest there has been any slowing down in the interest that exists in the business field reading about ex-CEOs telling the world about their achievements, and business analysts explaining what companies did. In many cases, the value of those stories is not in the particular formula that was adopted, or the particular philosophy that was espoused, so much as the opportunity to look at a different way of doing things. We see these business stories as like a mirror – you listen to what someone else has done, and in that see your own enterprise, and the alternatives that might be possible.

Certainly, in the early stages of this project we have been excited by the response from artists and administrators. Their feedback continues to suggest that they are encouraged to do things differently, and that they can see there may be some more effective ways to bring their art form to their public (or even to rethink who their public might be). Stories can capture our imagination, and imagination is a wellspring for both artists and entrepreneurs.



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