

CHAPTER 1

INTRODUCTION

1.1 Statement of the Problem

In 1932 the Australian Broadcasting Commission (ABC) was created by an Act of Federal Parliament, with a charter to provide free-to-air radio broadcasting on a national scale. To provide musical content for the fledgling broadcaster, the Act also allowed for the creation of musical groups within the organisation. To this end two small radio ensembles were created in Melbourne and Sydney. From these small beginnings grew a national network of six major symphony orchestras resident in each State's capital city. This scenario is unique in the world, as such a comprehensive approach to establishing a cohesive network of orchestras across the country cannot be found anywhere else.

These six symphony orchestras were fully established by 1950. This was the first time in the country's history that each capital city had a full-time professional orchestra in their community. Having been set up as part of the national broadcasting organisation, the orchestras' charter was to provide musical content for radio broadcast as well as provide a significant contribution to the local cultural life of their respective communities. They performed a variety of public concerts along with their studio broadcasting work. They became significant cultural assets and provided the only opportunity for local audiences to experience large-scale quality live performances of classical music on a regular basis. Even though they often performed in public halls, these orchestras maintained strong

links with their broadcasting roots, as all or part of every concert performed for the public was required by law to be broadcast free-to-air on ABC radio.

These arrangements continued in the 1950s and 1960s, but by the 1970s questions were beginning to be asked about the future role of the orchestras and whether they should remain part of the ABC. While few questioned the idea that without the bold initiatives of the ABC it was unlikely that all six orchestras would have evolved to such an extent, many believed that the ABC was now a hindrance to their continued development. By this time the ensembles had developed into a hybrid structure – a combination of concert orchestras and broadcasting orchestras. They were owned and managed by Radio 2 of the ABC (indicating their broadcasting status) while a significant component of their work (undertaking public concerts) was managed by a separate Concert Department within the ABC (indicating their dual concert performance role).

Subsequently a number of structural changes took place within the ABC. A new Concert Music Division was created in the mid 1980s to house, for the first time, all aspects relating to orchestral activities within the one department. This was not seen as going far enough for some and ultimately in 1996 the orchestras began a process of complete separation from the ABC. By the year 2000 all six orchestras had become independent companies (albeit subsidiaries of the ABC), managed and funded as autonomous entities.

Symphony orchestras are an interesting phenomenon and one worthy of studying from both a managerial and economic perspective. In many countries these ensembles have not changed their organisational structure since the mid-nineteenth century despite the considerable changes in their operating environments over time. One might suggest these ensembles resemble ‘museums of classical music’, as they maintain many strong historical characteristics which are recognised internationally as representing what is essentially a European ideal.

Even though orchestras across the world are formed and supported in different ways, from government funding to philanthropic and community-based support, they still maintain many similar characteristics in their operations. Orchestral musicians generally still wear formal evening wear for concerts (white tie and

tails for men, all black for women – if women are allowed to play in the orchestra), and there is a strict hierarchy within the ensemble from conductor to concert master, through section principals to the rank and file or tutti players. Concerts in the main still follow established formats with the traditional programming of *Overture*, *Concerto*, interval, and then *Symphony*. From London to Chicago, Sydney to Tokyo, if one goes to a symphony orchestra concert, one experiences almost an identical concert form and structure.

Given these universal and longstanding traditions, the musicians that make up the orchestras must perceive that they are an important component of what defines a world-class symphony orchestra. The identity of the individuals as professional classical musicians is informed by the traditions, rituals and values that are passed from one generation to the next. How they adapt in a contemporary setting to the rapidly changing operating environment should be of great interest to the management of these organisations.

In Australia, the orchestral landscape has changed dramatically in recent years. After many government reports and reviews, the ABC orchestras were separated and made into autonomous entities in the late 1990s as noted above. This sudden change in the operating environment that occurred between 1996 and 2000 in Australia provided a unique scenario for the orchestras and was the impetus for this study. How have six, fully-formed symphony orchestras, which have been cut loose from the parent company in which they resided for fifty years, survived the transition from a government department to separate entities? How have they adapted to these changes in organisational structure and how have they met the challenges of their new operating environments? What has been the impact on the musicians themselves as they adjusted to performing their craft in this new setting?

This study looks at the development of the Australian symphony orchestras with particular focus on the changes in organisational structure from the mid 1980s to the present. The fundamental inquiry is to explore the impacts that factors such as organisational structure and ownership have had on the orchestras' activities and on the professional identity of the musicians, as they have made the transition from a government department to separate corporate entities.

1.2 Analytical Approach

Theory

The theoretical foundations on which this thesis is built are:

- theoretical perspectives of corporatisation and managerial change;
- theoretical aspects of nonprofit firms;
- theoretical analysis of symphony orchestras as economic and cultural entities; and
- role of organisational identity and image in organisational behaviour.

Given that the most significant shift that the orchestras undertook was to change organisational structure from a single government department to separate corporate bodies, this thesis reviews the literature on corporatisation in order to understand the rationale for undertaking such a process, the expected outcomes of the process and possible (positive and negative) effects on organisational activities as a result. In addition, as the orchestras became nonprofit subsidiary companies, a review of the theory of the nonprofit firm as an economic entity adds to the understanding of such organisations. Drilling down further still, the literature relating to the economics of performing arts organisations in general, and symphony orchestras in particular, is reviewed to add specific information on aspects such as production, demand and productivity/efficiency. Finally, analysis of the impact of these changes on the musicians is informed by organisational theory explaining the notions of identity and image within professional occupations and organisations.

Models

There are a number of alternative organisational structures that can be selected for any organisation, the choice of which generally depends on the type of activity being undertaken. In the specific circumstance of the ABC symphony orchestras there are a number of different ownership and structural models that could be adopted. For example, orchestras internationally have assumed a variety of forms including:

- state-owned entity;
- membership-based nonprofit entity;

- player-owned cooperative; and
- for-profit commercial company.

As the choice of a particular structure can potentially create different constraints on, and opportunities for, the entity, each of the above options will be reviewed in theoretical terms in order to identify how these opportunities and constraints may influence an organisation's activities in each case.

Hypotheses

It is proposed that any change in organisational structure should be undertaken either to improve the ability to achieve objectives and/or to make better use of available resources. In essence these outcomes look to the improvement in either effectiveness and/or efficiency of the entity. Closely linked to these two concepts is the notion of productivity. If an entity can become more productive then it should be able to improve both effectiveness and efficiency.

In the case of the ABC orchestras the various objectives, both cultural and economic, that could be enhanced through changing organisational structure include:

- increased audience numbers (cultural);
- increased concert performances reaching a wider, more diverse audience (cultural);
- improvement in the quality of musical performances (cultural);
- creation of cost efficiencies (economic);
- creation of earned revenue opportunities (economic); and
- movement to a broader funding base involving more stakeholders (economic).

The general hypothesis underlying this thesis is that change in organisational structure would be expected to have a positive effect on the ability of the orchestras to achieve the above objectives. More specific hypotheses will be spelt out in a later chapter.

Empirical Testing

This general hypothesis can be empirically tested by capturing and analysing relevant data from the activities of the orchestras around the times of these changes and from surveying the views of those most affected by the changes – the musicians employed in the ensembles. As this study seeks to examine the relationship between organisational structure, the economics of production, and the influence of the musicians within that process, the following analyses will be presented to test the hypotheses:

- analysis of key performance indicators over time;
- analysis of the role of musicians as a key element of orchestral functioning; and
- analysis of the production process and efficiency of orchestral activity.

The following section outlines the structure of this thesis and provides a synopsis of each chapter.

1.3 Summary of Thesis

This study begins in Chapter Two by reviewing the literature on corporatisation and nonprofit entities to build an understanding of the generic issues relating to these aspects of organisational theory. Added to this, the literature on organisational identity and image is reviewed to ascertain what factors influence professional workers in their understanding of themselves, their work and the organisation in which they undertake that activity. This foundation is then informed by literature relating to the performing arts and symphony orchestras in particular, and the work they undertake, with an emphasis on economic theory to build a basis for examining the production process of the orchestras.

Chapter Three reviews the history of the ABC orchestras from their inception in the 1930s through to 2005. This section focuses particularly on a number of government reviews and reports examining the ABC in general and the orchestras in particular. Through this, an understanding is developed of the objectives of the various stakeholders and rationale for implementing organisational change.

Chapter Four introduces different ownership options that exist internationally for symphony orchestras. Each ownership option is examined in regard to how aspects such as inputs, outputs and outcomes might be affected under different structural and ownership conditions.

Chapter Five then develops a number of models to help explain both the production process and decision making process of symphony orchestras. From this a number of hypotheses are developed that relate to changes in organisational structure and ownership and how they might affect the achievement of key performance indicators, the professional identity of the musicians and the efficiency and productivity of the orchestras as firms. Finally the chapter introduces the empirical analyses to be undertaken.

The first empirical analysis is presented in Chapter Six, which takes historical data from a number of sources, including annual reports and government publications, to develop a series of key performance indicators over a twenty-four year period, which spans the major points of change in structure. These quantitative indicators measure the level of concerts, attendances, revenue, costs and government contributions. In addition, the notion of quality is considered through indicators regarding the repertoire performed.

Chapter Seven presents an analysis of a survey of musicians' attitudes and values administered to the symphony musicians of four of the ABC orchestras. This survey looks to measure the level of professional identity of the musicians and their perceptions of the image of the orchestras. In addition the survey directly questions the musicians' views on aspects of quality such as repertoire, conductors and guest artists. It also seeks to measure the importance placed by the musicians on various aspects of the work they undertake.

Chapter Eight presents an analysis of economic data of the same four orchestras. A model depicting production and demand is developed based on a simple Cobb-Douglas production function. It is proposed that demand is a function of price and quality, where quality itself is a function of performance labour and production capital. Firstly, data is taken for the years 2000 – 2004 inclusive to estimate this function. Secondly, similar measures from these orchestras are used in a Data

Envelopment Analysis to measure the relative efficiency and productivity of the four orchestras during the five year period.

Chapter Nine brings the three analyses together and synthesises the results into a discussion about the different ownership options and the resulting impact of corporatisation on the orchestras and their achievement of overall objectives. Finally Chapter Ten provides a summary of the thesis and points to potential further research in this area.

CHAPTER 2

THEORETICAL BACKGROUND

2.1 Introduction

To understand both the rationale for the decision to corporatise government owned cultural organisations into nonprofit entities, and also assess the impact this change in corporate status may have on the organisations themselves, it is important to review the literature relating to privatisation and corporatisation. Secondly it is important to review the literature in relation to nonprofit firms to establish their unique characteristics from an economic and managerial perspective. Thirdly as this study pertains to the ABC orchestras, this review assesses work already undertaken in relation to symphony orchestras and other performing arts organisations from an economic perspective. Finally the notions of organisational identity and image are explored as they relate to professional organisations and their membership as they experience major changing points in their organisational lifecycle.

2.2 Theory of Corporatisation

For over twenty years the governments of many nations have questioned their role in the provision of goods and services to their constituents. As a result many governments have undertaken restructuring and divestment activities under the guise of privatisation. According to Dixon and Kouzmin (1994, p. 54) 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'. This defines the two common approaches taken by governments seeking to remove themselves from market-based activities as being *privatisation*, where the change of ownership of government entities occurs through the sale of shares to the private sector, and *corporatisation*, where the government retains ownership but the organisation is corporatised to 'invigorate its performance' (Wanna, O'Faircheallaigh and Weller 1992, p. 5).

The drivers behind this change in both ownership and provision have been varied, but as Dixon and Kouzmin (1994, p. 54) noted:

'Collectively, the intent was to make public agencies more accountable for their activities; more efficient and effective in the use of resources; less discriminatory in their personnel management decisions; more participative in their decision-making styles; and more customer-oriented in their service delivery.'

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

However when discussing the economics of privatisation one must make clear the distinction between ownership and efficiency (Throsby 1998). While arguments often revolve around whether government should or should not be involved in certain activities that are the responsibility of the private sector, notions of economic efficiency should be more objective. In this regard Throsby stated:

'Economic efficiency is clearly a more objective phenomenon, being measurable in terms of observable technical, cost and other criteria. Thus, in the context of privatisation, the issue is one of what form of ownership, structure and operation of enterprises can produce given outputs most efficiently' (1998, p. 50).

Throsby went on to note that it is not clear from previous empirical work that the question of ownership is solely responsible for differences in efficiency in producing output of a given quality. He noted 'Competitive pressures, corporate organisation, management structures, incentive patterns, work practices and so on' are also important factors to consider, and '...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, p. 50). Therefore the notion of increasing efficiency through privatisation measures is not so much related to ownership but exposure to such environmental and operational factors as market pressures through outsourcing and other mechanisms.

The second main driver of the reform process in the public sector has been to increase the effectiveness of service delivery, through the development of greater customer focus and commercialisation practices in the delivery of their goods and services. Once an entity is removed from the public sector it is free to pursue more commercial opportunities and create a more entrepreneurial spirit within the organisation. This in turn should encourage a greater focus on the customer as the entity experiences competition from other providers of similar goods and services.

The two key components of the rationale for privatisation of efficiency and effectiveness may appear straightforward in regard to organisations operating in competitive sectors or industries but are more complex when the markets are not so inclined. In the case of cultural organisations the pressures of market competition can create significant problems. Museums for example often operate under conditions depicted in declining cost industries giving way to a type of market failure (Heilbrun & Gray 2001). In addition the cost structures of the performing arts see a large proportion of costs being labour costs in the form of artists' wages and fees, potentially offering little room for efficiency gains. In fact this type of 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 thesis.

Other problems that have been noted in regard to privatisation include potential problems in relation to accountability when organisations try to adopt a greater focus on the consumer while satisfying government policy directives (Dixon & Kouzmin 1994; Doolin 2002). Additionally if there is an assumption that a 'price' can be fixed for all publicly-provided goods and services, the notion of public interest becomes problematic if one adopts market solutions to service provisions (Brown, Ryan & Parker 2000). Overall in practice, the placing of government enterprises in a competitive market on a commercial basis can have significant social impacts in regard to both the quantity and quality of the goods and services provided.

As a specific example, government subsidy for cultural activity is often based on familiar public-good arguments. Cultural goods provide society with '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, p. 7). Such indirect benefits include national identity and pride, benefits to local economy (for example through tourism), and contribution to education and artistic innovation (Heilbrun & Gray 2001, pp. 226-229). The privatisation of public cultural organisations may jeopardise this provision if left to a free market, providing a case for the continuation of government support post-privatisation.

Another specific issue that can arise is in relation to the quality of the output, as the drive for 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 had a negative impact on the level of quality of health care being offered. They noted:

'With corporatisation, came managers from the private (non hospital) sector who had no understanding of the complexities of health care..... It appeared from this state of affairs that there was an underlying conflict between the caring relationships and the related work in the clinical environment, and the desire for efficiency and economy' (Bamford & Porter-O'Grady 2000, p. 84).

There is a similar trend in many arts and cultural organisations in Australia, including the Australia Council and a number of State arts agencies where they have begun to recruit leadership from non-arts or private sector backgrounds. In addition board membership has increasingly focussed on generic business skills and experience at the expense of artistic leadership. Caust (2002) noted that this lack of artistic understanding can lead to an inability to deal with artistic issues appropriately, citing the mismanagement 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 in particular there is an increasing need to attract larger and larger audiences, suggesting 'arts managers must adapt to the dual task of increasing financial viability while at the same time ensuring the promotion of 'their "quality"' art as a leisure product' (Smithuijsen 1998, p. 84). The debate around what is 'art' and what is 'entertainment' comes to the fore at this point, as what might be seen as a commercial success may not be seen by critics or peers as successful, from an artistic perspective (and vice versa of course). For example, the mainstream media in Australia often measure the success or otherwise of arts and cultural festivals predominantly on the basis of financial outcomes (e.g. McDonald 2002; O'Brien & McDonald 2002).

Governments have employed a variety of methods to encourage a balance of quality of both output and service delivery against the incentives to increase efficiency when implementing structural reform agendas. These have included 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). Corporatisation also offers government a potential solution to this dilemma by providing an effective way to retain ownership of the entity and therefore directly influence the delivery of its policy obligations, while at the same time move the entity closer to a nonprofit company model which may provide incentive to increase efficiencies.

Boorsma (1998) offered specific examples of corporatisation of cultural organisations consistent with this approach. He described the transformation of State-owned and operated organisations which became independent entities, operating at arms length with 'private legal status' such as a stock company or a corporation. Boorsma highlighted the example of the State Printing and Publishing Company in The Netherlands, which was turned into a stock company 100 per cent owned by the State, while others such as museums had been transformed into structures akin to foundations. In these cases the privatisation process related mainly to the functions of the organisation and not ownership. Functions such as maintaining the collection, preparing and holding exhibitions, auditing and personnel functions, and more importantly planning, were under the control of the management and not the shareholders or owners (being the State), although Boorsma conceded strategic decision-making often remained a shared responsibility. Finally he concluded in relation to ownership, the director 'is running a business which for the most part – the collection and the building – is owned by the state' (Boorsma 1998, p. 31).

This move throughout Western Europe from direct government provision to the nonprofit sector 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, p. 84). Cavenago, Francesconi and Santuari (2002, p. 23) explained 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'. This approach can provide the required balance of public provision and market forces which encourages effective and efficient delivery of goods and services.

While many public sector enterprises in Australia have undergone this type of reform, only a few cultural institutions have been restructured in such a way into nonprofit corporate entities; examples from the cultural sector include the ABC itself, The Adelaide Festival Corporation and Film Australia apart from the symphony orchestras.

2.3 Theory of the Nonprofit Firm

Nonprofit entities provide an alternative to both government and profit maximising suppliers of goods and services (Shleifer 1998). Nonprofit organisations exist in many industries and sectors, including the arts, but are particularly common in the performing arts sector (Hansmann 1981, Luksetich & Lange 1995, Brooks 2006). Before embarking on a review of the literature pertaining to the nonprofit cultural sector, one must first define what constitutes a nonprofit entity.

One common approach to defining the nonprofit sector is that developed by Salamon and Anheier (1992), who defined this sector as being organisations that were formally constituted; were not part of government; were self-governing; did not distribute their profits and had some meaningful component of voluntary activity (1992, p. 1). Many authors have focussed on the key point in this definition of not distributing any profits made as a result of organisational activity back to members or owners. From an economic perspective this key concept can be defined as the 'nondistribution constraint' and is a significant characteristic of all nonprofits (Brooks 2006, p.476).

In Australia, Corporations Law prohibits a nonprofit firm from the distribution of any pecuniary profits directly back to its members. In addition there generally needs to be a clause covering the winding up of the organisation to ensure any remaining assets are not distributed amongst the members. Acknowledging this fact highlights that the nonprofit status affords recognition that the organisation has some 'higher calling' and is not driven merely by the motive of profit.

However, it has been suggested that all organisations, nonprofits included, pursue some form of distributive goal, as surpluses can be distributed back to the 'beneficiaries' in either explicit or implicit forms, or both (Gui 1991). Gui identified that there are two parties involved in the organisation of firms, including nonprofits; a 'dominant category' that is awarded the ultimate decision-making power in the organisation and a 'beneficiary category' who receive the benefits generated by the organisation. The nonprofit sector can then be defined by having a category of agents other than investors as the beneficiary (Gui 1991,

p. 568). Where the dominant and beneficiary categories are the same, Gui denoted these to be of 'mutual benefit'; where the categories don't coincide, they are classed as being of 'public benefit'. In a later study, Mertens took Gui's definition and extended it by stating that the third, or nonprofit, sector consisted of organisations in which 'the beneficiary is a group other than investors and where control is in the hands of a group other than the public authorities' (Mertens 1999, p. 509). This definition fits well with the concept of transferring control of a public authority to an independent board through the process of corporatisation.

When looking at the literature relating to nonprofit organisations two distinct perspectives emerge. While both are concerned with explaining the existence of nonprofits in the market place, one looks at why people would choose to contract with the organisation and the other is more concerned with why and how people choose to work for or create such organisations. Generally however the literature on nonprofit organisations focuses on five key areas – market failure, altruism, philanthropy and subsidy, contract failure and efficiency. Each of these areas will be reviewed in turn.

Market Failure

Gui posed the question 'Why should the members of a category other than investors prefer, when dealing with an organisation, to be established as its explicit beneficiaries, rather than rely on normal contractual arrangements?' (1991, p. 557). One explanation for this is the concept of market failure (Chasse 1995, p. 528) and this is of particular interest where there is some provision of goods and services with public-goods characteristics such as in the performing arts (Gui 1991; Brooks 2006). When the transaction concerns a nonexcludable public good, recourse to individual self-regarding action would lead to under-provision or even no provision at all (Gui 1991). Similar to this, but perhaps not so severe, is when the transaction concerns an excludable public good, such as a theatre performance, as audience members do derive some private benefit from attending the performance (Brooks 2006, p. 482).

Altruism

It has also been suggested that nonprofit firms exist simply because 'some people want to do good things' (Gassler 1998, p. 174). In defence of this proposition

Gassler argued that more than the concept of market failure was required to explain the existence of nonprofit firms and he proposed it was necessary to include the notion of altruism. Gassler further identified that this altruism needed to be underpinned with a Kantian ethic, which he defined as being to: 'so act that you could will the maxim of your action to be a "universal law", or simply, "act like you think everyone should"' (1998, p. 179). He suggested that both market failure and Kantian altruism are necessary for there to be a nonprofit sector.

This concept of altruism along with cause-related zeal and personal motivation are not only found in patrons, but are also often a main motivator for employees of nonprofit organisations (Rose-Ackerman 1996; Gassler 1998; Zimmerman 1999). This is true for performing arts organisations where the commitment to the artistic profession is what should drive all members of the organisation.

Philanthropy and Subsidy

The commitment of nonprofit arts organisations to provide the highest levels of artistic goods and services, however, can exceed what the market is willing to pay (Holtman 1983). This leads the organisation to seek other forms of financial support through avenues such as philanthropic donations and subsidies, referred to in the literature as the 'subsidy theory' to explain the existence of nonprofit firms (Brooks 2006, p. 481). This theory proposes that 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). Interestingly, often those that donate to arts organisations are also those who attend the performances (Luksetich and Lange 1995, p. 50), where the decision to donate acts as a type of personal price-discrimination mechanism (Hansmann 1981, Gui 1991). Although, people are motivated to donate to worthwhile organisations for a variety of reasons. In a recent study it was found that motivating factors go beyond simple demographics and also revolve around additional concepts such as a sense of community; a sense of duty; a desire to repay an organisation for previous help given; religious reasons and of course tax benefits (van Slyke & Brooks 2005).

Contract Failure

Van Slyke and Brooks (2005) also found that individuals donate to nonprofits because 'charities are more effective than government' at providing certain services. This may be because what is being 'purchased' often can't be easily observed (Easley and O'Hara 1983) or evaluated (Rose-Ackerman 1996, p. 702). This explanation is cited in the literature as a remedy for 'contract failure' (Brooks 2006, p. 481). In this situation there may also be some product differentiation value in organisations declaring their nonprofit status as the 'credibility of an entrepreneur's claim to be providing 'quality' art may be enhanced by the firm's claim to have rejected profit as a goal' (Rose-Ackerman 1996, p. 720). This idea is supported by Luksetich and Lange who in citing Hansmann (1981) argued that due to the fact that sellers have more information about product quality than buyers, 'nonprofit firms develop because they provide more assurance that what is produced is what the buyer wants' (Luksetich and Lange 1995, p. 49).

Efficiency

The focus of nonprofit arts organisations to push both the quality and quantity of service to higher levels can however lead to the creation of inefficiencies within the organisation (Holtman 1983). The inability for nonprofit firms to direct potential surplus gains back to management has meant that traditional incentive mechanisms to manage firms efficiently have not been available (Keating 1979, Holtman 1983, Rose-Ackerman 1996). However, the employees themselves can be a source of efficiency gain for nonprofit firms as they are often highly motivated, highly skilled, willing to try new ideas and generally act 'more in a professional than in a bureaucratic way' (Zimmerman 1999, pp. 596-597).

There are of course many motivations for individuals in their work and Dennis Young (1989) looked at visualising a distribution of dominant motivations across populations. 'For some, money and prestige are the major incentives; for others technical achievement dominates. There is no perfect correspondence, but those prompted more by pecuniary motives gravitate toward for-profit firms, those motivated by the desire for technical achievement gravitate toward the nonprofit sector' (Chasse 1995, p. 530-531).

There is little doubt that the arts manager will likely have an intrinsic motivation to see the organisation and the art it creates succeed and flourish. To do this however she/he would also need to balance the financial needs of the organisation, the requirements of the multitude of stakeholders such as funders, donors and consumers as well as support the artistic goals of the artists as employees of the organisation. It may be that at times, these different interests will compete against each other and affect the overall efficiency and effectiveness of the entity.

The issues raised above are important aspects of nonprofit firms and can potentially affect decision-making in these types of organisations. The following section looks at symphony orchestras in particular to explore some of these issues in more detail as they pertain to this specific type of firm.

2.4 Symphony Orchestras as a Specific Type of Productive Enterprise

2.4.1 Organisational Structure

The organisation and structure of the modern symphony orchestra derives from a combination of music history regarding the development of the musical symphonic form and also organisational history. Allmender and Hackmann define professional symphony orchestras as:

‘...ensembles whose primary mission is public performance of those orchestral works generally considered to fall within the standard symphonic repertoire and whose members are compensated nontrivially for their services’ (1996, p. 4).

Included in this definition are concert and broadcasting orchestras as well as those that undertake, but not exclusively, operatic and theatre work.

Historically the development of the symphony orchestra as a musical ensemble can be traced from European traditions (Scholz 2001) which have continued over many centuries beginning with small conductor-less groups of musicians. Early musical ensembles of the 17th century were based partly on composers’ needs and

partly on the availability and skill of local musicians. As a result musical ensembles from this period developed fairly independently in response to local conditions (Spitzer & Zaslaw 2001).

Over time as composers began to write for standardised instrumental groupings, regular ensembles began to emerge. By the 18th century, for example, the string section of the ensemble began to be standardised and closely resembles that of today. By 1730-1740 the 'orchestra' as an ensemble was a recognisable institution in its own right across many parts of Europe including France, Italy, Germany and England. As composers searched for new sounds they began to incorporate more instruments into the score, enabling them to create more variety through the mixing of instrumentation. The advancement of technology led to the improvement of many instruments through increased range and flexibility and therefore their desirability for utilisation by the composers of the day. The invention of new key systems for woodwind instruments and rotary and piston valve systems for brass instruments are two examples of this. In addition, as many parts of the world were opened up, in particular the Middle East and Asia, new instruments were discovered and utilised (e.g. many percussion instruments).

During the 19th century there appeared an ever-increasing similarity of instrumentation, organisational structure and performing practices between orchestras in different locations, and orchestral musicianship became a profession in its own right (Spitzer & Zaslaw 2001). During this time the church and nobility often supported musicians and composers (Allmender & Hackmann 1996). However, by the 20th century support for orchestras in Europe had been taken over by the State and various municipalities (Allmender & Hackmann 1996, Galinsky & Lehman 1995). Modern European orchestras generally are now funded through public subsidy, where musicians are employed as civil servants with centralised control, and strong leadership coming from the Music Director or Chief Conductor (Galinsky & Lehman 1995).

In America, European immigrants established symphony orchestras in large cities during the 19th century to perpetuate the cultural traditions of their homelands. Many entrepreneurial or musician-led ensembles had existed prior to this, but 'it was the Philharmonic model of a board-led professional ensemble with

philanthropic support that eventually prevailed everywhere [in the USA]' (Starr 1997). American orchestras today generally have a strong unionised workforce, a strong Music Director role in artistic leadership but programming is often governed by market concerns (Galinsky & Lehman 1995, p. 119).

An alternative structure can be seen in parts of Europe, where some orchestras are structured on a co-operative basis, being owned and managed by the musicians themselves. In London, for example, a number of the major orchestras (not operated by the British Broadcasting Corporation) are identified by a 'self-governing charter which invests players with full authority over artistic, strategic and personnel matters' (Galinsky & Lehman 1995, p. 119).

In Australia the development of the orchestras has taken a different path. Prior to the 1930s most of the orchestral activity involved either amateur or conservatorium-based ensembles. In 1929, the Australian Broadcasting Company (the precursor to the Australian Broadcasting Commission, and later Corporation – the ABC) set up two small studio orchestras in Sydney and Melbourne. In 1936, Bernard Heinze was appointed the first Music Director of the ABC and he and Charles Moses, then Director of the ABC, set up small ensembles in the capital cities of each of the six States. These 'core' orchestras ranged in size from forty-five players in Sydney to eleven players in Hobart (Buttrose 1982). At this time the orchestras were fully funded by the federal government through the ABC, but between 1945 and 1949, the respective State governments and city councils agreed to contribute to their orchestra in order to increase the size of each. (See Appendix 1 for more details of the creation and development of the orchestras). At this point the ABC was able to create a workable symphony orchestra in each Australian State. The musicians were employed as public servants with centralised control and little player autonomy or input into decision-making processes. We continue the evolution of the Australian orchestras in more detail in the next chapter.

2.4.2 Objectives

It has been noted that profit maximisation is not a goal of nonprofit arts organisations. The question then arises as to what are the goals or objectives of

such organisations? Hansmann (1981) suggested the following objectives to be suitable for nonprofit performing arts organisations:

- quality maximisation: determined by a) the expenditure on sets, performers, etc. and/or b) the performance of 'refined' or specialised repertoire (as opposed to a more populist repertoire);
- audience maximisation: determined by the desire to spread culture to the widest possible audience. This objective is related to output maximization; and
- budget (expense) maximisation: determined by the increase in budgets to build position in the market place.

A number of studies have been undertaken applying Hansmann's model to symphony orchestras in the United States of America (e.g. Lange, Luksetich & Jacobs 1986, Lange & Luksetich 1993, Luksetich & Lange 1995). Here economic modelling was used to determine the objectives sought by the management of various sized symphony orchestras. The studies noted that small and medium sized orchestras worked to maximise audiences as their main objective, while many large orchestras had quality maximisation as their main objective. The studies also noted that large orchestras also had a secondary objective, budget maximisation, and the authors proposed that these two objectives were linked as increased budgets were used to enhance quality.

Other authors have also referred to links between quality and budgetary strength. Allmender and Hackmann (1996) noted in comparisons between East and West German orchestras that orchestras with adequate material resources were capable of contracting technical and musical directors of 'the quality needed to see them through what is certainly to be a highly turbulent transition period' (1996, p. 19). Throsby (1994) noted that quality in the performing arts may be measured 'in terms of the lavishness of the production' which is related to set-up and labour costs related to a performance, but also by other characteristics such as 'type or period of work' being performed (1994, p. 9) implying a link to program choices made.

Other objectives put forward specifically in relation to maintaining the existence of symphony orchestras as we currently know them include preserving and

maintaining tradition and also the development of a true ensemble (Spich & Sylvester 1998). While there is value in the preservation of tradition this may not be adequately recognised in a free-market situation. Given the free choice as offered in the market place, 'most people would not choose to support (i.e., pay for) a tradition which they neither share nor value highly' (Spich & Sylvester 1998, p. 19). However there may be benefits for them which may not be immediately apparent. There is no doubt that popular music and film-score music (to name two examples) rely quite heavily on musical traditions based in the 'classical' genre of which many consumers of those products may not be aware.

2.4.3 Demand / Pricing Relationship

It is suggested that performing arts organisations are unable to increase ticket prices 'without alienating audience members and excluding economically disadvantaged people' (Scholz 2001, p. 138). Hansmann suggested however that while 'It may be difficult to establish effective price discrimination via ticket pricing, it is still possible to ask individuals to simply *volunteer* to pay an additional amount if the value they place upon attendance exceeds the price charged for admission' (1981, pp. 333-334). He concluded that total revenue should be seen as a mix of ticket sales and donations or other contributions, and therefore the optimum ticket price is where the revenue from both ticket sales and donations is maximised.

Daniel Marburger (1997) provided another point of view on ticket pricing. In his paper, he looked at the optimal price for performance events (in this case baseball), taking into account the fact that often the producer would get a share of revenue from the sale of complementary goods, or in his words 'concessions', such as food, beverages, programs, etc. He suggested the market for concessions was limited to those purchasing tickets, and 'By lowering the price of tickets below unity, the potential market for concessions is increased suggesting the optimal price is that which maximizes overall profits from ticket sales and concessions' (1997, p. 377).

However the relationship between price and demand is not that simple or clear, nor is the notion of quality as a key variable in the equation. Lange and Luksetich (1984) estimated demand elasticities for symphony orchestras in the United States

assuming that firms make decisions about price and quality, as well as other variables, with a view to maximising their objective function. In their study of the orchestras they found that while there were differences in the elasticities of demand (as measured by attendances) for orchestral services between different size orchestras, overall the price elasticity was small and negative (Lange & Luksetich 1984).

A later study by Luksetich and Lange (1995) developed a simultaneous equation model of symphony orchestra activity and found the price elasticity coefficient was estimated at -0.33 for large orchestras. This was true for smaller orchestras as well, when compared with attendance per capita, noting that price was set in the inelastic range of demand. A further study looking at the demand for museum services, by Luksetich and Partridge (1997), found that the price elasticities ranged from -0.12 to -0.26 depending on the type of museum, leading them to conclude that demand is actually 'very inelastic' (Luksetich & Partridge 1997, p. 1557).

Felton supported the notion of price inelasticity in orchestras, suggesting that orchestras could increase earned revenue through a direct strategy of increasing ticket prices, though any increase should not outpace any 'increases in per capita income nor the inflation rate by very much' (Felton 1994, p. 311). Felton concluded that increases in subscription prices were less likely to have a negative impact on attendance patterns than increasing other ticket prices, which suggests that single ticket purchasers may be more influenced by price than subscribers. Overall the ability for performing arts organisations to raise ticket prices seems limited suggesting there is a need to maximise income not solely through product sales but as a mix of box-office, funding, donations, sponsors and merchandise (Marburger 1997; Brooks 2000).

2.4.4 Production / Cost Relationship

Regardless of their structure, symphony orchestras generally enjoy a monopoly in their local market (Spich & Sylvester 1998). In some cases in very large cities an oligopoly may exist (Smith & Komaya 2001). Spich and Sylvester (1998) noted that symphony orchestras in the US were generally part of a minimally competitive sector, where the strategies are 'still gentlemanly and clubby in

nature' (1998, p. 10). They also noted, 'they tend to have a monopoly status in which each symphony has a claim to a specific urban environment and there is generally no direct competition in the market place' (1998, p. 10). As a result, they suggest that the symphony orchestras have become complacent with little variation or difference between them all.

Comments by other authors lend support to this view. For example Brooks (1997) noted that 'a culture in these industries (which is beginning to change) has traditionally, consciously, kept its lofty goals relatively uncontaminated by market signals, and public arts policy has engendered this culture' (1997, p. 5). As a result many face the real possibility of being sidelined or becoming irrelevant in a contemporary setting. Of course orchestras face much competition from many other attractions attempting to woo the consumers' dollars and their recreation time. Media, film, sport and other forms of recreation all compete for consumers' attention, time and money.

Symphony orchestras are large employers of artists, employing up to one hundred or more musicians on a full-time season basis. As a result they have large fixed costs with the majority of those being made up of labour costs, and they are 'particularly challenged by the parallel tasks of maintaining artistic productivity and balancing their budgets' (Smith & Komaya, 2001). However, this is not specific to symphony orchestras; as many have noted, the performing arts in general have large fixed costs (see Hansmann 1981; Luksetich & Lange 1995). All rehearsals and development up to the first performance are considered a fixed cost. On the other hand variable costs relating to repeating the performance are generally low. In fact if the hall is not yet filled, the added cost of admitting another attendee is virtually zero. For-profit arts organisations are able to spread the total fixed cost across a large number of performances, as the popularity of their product will allow multiple performances of the same product (e.g. some musical-theatre productions may run for many years). However, for nonprofit arts events and in particular symphony concerts, there is limited market appeal, resulting in fewer performances to spread these fixed costs across.

The necessity for symphony orchestras to stick to traditional musical scores does pose some particular problems for symphony orchestras. While a theatre or dance

company can adapt a work and perform with a reduced company, it is difficult and probably not artistically sound to reduce instrumental numbers below what is considered the required minimum for a true interpretation of a given orchestral work.

The requirement for orchestras to maintain large ensembles of permanent musicians has led to issues of an increasing gap where rising costs (musicians' wages, fees, etc.) cannot be matched by increasing productivity. 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; Ekelund & Ritenour 1999; Felton 1994 for example). While the full impact of this phenomenon has not eventuated (Throsby 1994), Ekelund and Ritenour note 'For orchestral performances ... Baumol's disease is, in the limit, inescapable' (1999, p. 888). The argument in an orchestral setting is based on the fact, for example, that it takes as much time and as many musicians to perform Beethoven's 3rd Symphony, *Eroica*, today as it did when it was first performed in 1804, more than 200 years ago.

It is important to decide, however, what unit of output is being measured when looking at the question of productivity in an orchestral setting. In the above example the output in question is the individual work being performed. However this is not a particularly useful measure of output as a standard orchestral concert includes a number of works on a program. Therefore several studies of symphony orchestras have used the overall number of concert performances as a measure of output (see for example Globberman & Book 1974, Lange *et al* 1985, Felton 1994). It should also be considered though 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, p. 375). Therefore the importance of the consumer in the performing arts needs to be considered and this is where the 'cultural experience' of the audience member becomes important (Gapinski, 1980). As a result it may be more appropriate to look at the number of attendances rather than the number of concerts as a measure of production output. Felton (1994) however suggested that attendance figures were more a measure of demand than output and therefore

should not be used to determine efficiency. While using total number of performances as the output measure in her study, she did concede that from an economic perspective, the total number of tickets for sale per season would perhaps be a better measure of output (Felton 1994, p. 303). Other studies have also used a combination of both attendance levels and the number of performances (Lange & Luksetich 1993; Luksetich & Lange 1995) as these authors note that in the case of symphony orchestras producing different types of concert performances, using the total performance number as a single measure is complicated (Lange & Luksetich 1993, p. 2).

If the unit being measured is the number of actual or potential seats for sale then the question of productivity may in fact be quite different. Some authors have suggested that there are potential productivity gains to be made in this area and that in fact it may not be possible to use Baumol's 'cost disease' to fully explain the gap between revenue and costs (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 techniques and greater acoustic engineering to allow bigger venue sizes, reaching larger potential audiences per performance (Brooks 2000). However there seems little opportunity in reality for orchestras to increase productivity through expanded performance opportunities to offset cost increases. This notion is supported by Brooks who observed, 'frankly the problem isn't a hall that is too small – it's getting people into the seats that currently sit empty' (1997, p. 7).

One factor that may help orchestras overcome cost issues is to achieve some economies of scale and/or scope. Some have suggested that there are economies of *scale* to be made (Globerman & Book, 1974), but more recent studies have suggested that economies of *scope* offer a greater source of efficiency. In their study, Lange and Luksetich (1993) concluded that is better not to change the level of an individual output, but rather gain increases in productivity through offering a greater mix of output types. These economies however seemed to decline in line with the reduction in size of the orchestra, leading them to suggest that larger orchestras should diversify their offerings, while smaller orchestras should specialise. Felton seems to concur with this notion stating that orchestras in larger markets were more able to enhance productivity through offering both an increase

in the total number and variety of performances as long as there was the audience to sustain this strategy (1994, p. 311). On the other hand she suggested that orchestras in smaller markets should rely on reducing the cost of inputs to combat the cost disease through such measures as reducing the time frame of a performance season or the number of musicians contracted. Such actions however could lead to less rehearsal time, reduced repertoire choices and lower morale amongst musicians (Felton 1994, p. 311). In turn these could affect the overall quality of a performance and ultimately demand.

2.4.5 Programming

As stated before, the symphony orchestra as a structure has changed little since the 19th century and similarly, neither has the core product of the organisation, the live concert. The Concert of Ancient Music, founded in London (1776 – 1848), has had a major influence on the development of what we understand today to be a classical music performance (Kolb 2000). Indeed the term ‘classical’ was used by this foundation to differentiate the repertoire they performed from Italian opera, which was the popular entertainment choice of the day. 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, p. 26). Societies such as The Royal Philharmonic Society of London (1813) and the Philharmonic Society of New York (1837) were also instrumental in the continued development of what is now expected at a classical music concert performance (Spitzer & Zaslav 2001).

As noted earlier, symphonic concert programming around the world still complies predominantly to a standard format. Throughout the concert, rarely is a word spoken – it is understood that the music speaks for itself. Audiences sit passively listening to the performance and it is assumed they understand the concert protocols expected of them (such as no applause between movements of a single work). All this requires a substantial amount of knowledge of both content and form on behalf of the consumers and it is generally accepted that it is up to the consumers to gain this knowledge themselves, usually through the experience of attending concerts. It may be that the fear of the unknown may in fact deter many potential audience members from experiencing symphonic concerts (Kolb, 2001)

It has been noted by some authors (Galinsky & Lehman 1995; Gilmore 1993; Brooks 2000) that a greater emphasis on variety of programming may help to stimulate audience demand. As orchestras are driven to compensate for a variety of external factors such as stagnant or declining audiences, reduced funding and budget shortfalls, the increased involvement of the more pragmatic business side of the organisation seeking control of artistic aspects is inescapable for some. As funding sources become more difficult to secure, companies are forced into a situation where their artistic aspirations are being increasingly driven by their bottom line (Throsby 2000, p. 171) and the potential impact on the 'artistic character' of the ensemble can be significant in such situations (Glynn 2002).

The pressures facing contemporary orchestral activity is not unique to one country or model of operation as noted by Galinsky and Lehman:

'The challenge to symphony orchestras to be both more market oriented, socially conscious, and rooted in their communities pervades decisions in the U.S., London, and even East Germany; many orchestras have been forced to actively re-examine the viability of their programming and their relationship with the local community in their efforts to provide simultaneously artistic leadership and embrace different constituencies within that community.....musical direction has an even more direct bearing on an orchestra's sustainability; orchestras must entice through creative programming an economically burdened and hesitant public with diverse aesthetic tastes' (1995, p. 129).

Gilmore (1993) found in a study of US orchestras that the notion of a strong and consistent repertory existed in the programming of concerts. In studying the programming choices of professional orchestras he concluded that repertory composers dominated the financial and critical resources 'in the contemporary concert world' (Gilmore 1993, p. 222). 'Repertory' was defined here as being works composed before 1900. Works written after 1900 were termed '20th century' while a subset within this (works written post 1940) termed 'contemporary' (1993, p. 226). During the 1969-1970 season of US orchestras repertory composers accounted for only 21 per cent of all composers performed, but they also accounted for 57.1 per cent of all works performed (Gilmore 1993,

p. 227). In fact only five composers were responsible for almost 40 per cent of the total works performed. These 'top five' were Beethoven, Mozart, Tchaikovsky, Brahms and Haydn (Gillmore 1993, p. 228).

Gillmore offered two suggestions for the monopolisation of repertory in concert programming: 'consumer tastes and administrative rationality' (1993, p. 222). Many orchestras are financially insecure and susceptible to even minor fluctuations in earned income predictions. First, the box-office as a major source of revenue is a particularly vulnerable aspect of the organisation's operations. As the audience in part determines earned income, programming choices need to reflect the tastes and behaviour of this group. Secondly, as the primary cost of orchestral activity is the performers and the related rehearsal time, making rehearsals more efficient and predictable is an important consideration. The more familiar a work or style of work is to the orchestra, the more predictable are the scheduling needs. In addition how quickly a piece can be learned and brought up to performance standard is crucial to orchestras with tight schedules – in this context a shorter rehearsal period is more efficient (Gillmore 1993, p. 236). It is important however to balance this perception with the knowledge that reducing rehearsal time should not be allowed to have a negative impact on the quality of the performance (Brooks 2000).

Musicians need to spend considerable time together with an artistic leader to learn to play together as a cohesive ensemble. The ability to work together over a prolonged period of time creates a number of benefits for any ensemble and its conductor, including the development of a distinctive and individual sound. In a market that is often location-specific the ability to generate a unique product (in this case a 'sound' not achieved by other ensembles), can open up a number of opportunities for the ensemble through increased market opportunities outside their local region (Spich & Sylvester 1998). Essentially such an ensemble and its conductor can put a signature on the music and in essence create a 'brand'. As audiences outside the orchestra's locality wish to experience this unique product, opportunities for touring, broadcasting and recording will also increase, leading to increased productivity, as well as creating other 'unique and inimitable advantages' (Spich & Sylvester 1998. p. 16).

The relationship between orchestral ability, its unique attributes and repertoire choice is explored by Dowd *et al.* (2002). In a study of the repertoires of major US orchestras they observed that over time there had been an expansion of performance capabilities of orchestras, resulting in an increased diversity of composers performed. However this was coupled with a lack of effect on the number of new composers presented; they stated that ‘expanding resources for new music in one year do not significantly reduce the conformity of repertoires in the following year’ and concluded that ‘the performance of new composers by symphony orchestras entails but a marginal effort that pales in comparison to the performance of the classics’ (Dowd *et al.* 2002, p. 57). Others have also noted that the premieres of new works (from a world premiere, through locality premiere to an individual orchestra premiere) are common, but getting further repeat performances of a work by a new composer is difficult (Gillmore 1993, p. 27).

2.4.6 Organisational Identity and Image

The fact that orchestras have not basically changed organisationally since the late 1800s suggests the desires of the musicians themselves to preserve these traditions may be strong. In fact this very point may well form part of how professional musicians define themselves. Activities undertaken predominantly for commercial reasons may be seen to undermine traditional values and 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).

Organisational identity, image and culture are all aspects of organisational life that are closely related and often impact upon each other (Hatch & Schultz 1997; Scott & Lane 2000; Soenen & Moingeon 2002). Albert and Whetten (1985) in their seminal paper ‘Organizational Identity’ introduced a framework for defining an organisation through those aspects that are:

- central in character;
- distinctive to the organisation; and
- having temporal continuity.

This is more commonly referred to as being what is central, distinctive and enduring to the organisation (Albert & Whetten 1985, p. 265). Some authors have

suggested that rather than the organisational identity being 'enduring' it is the labels and symbols used by the organisation to express what they believe the organisation to be, which are enduring (Gioia, Schultz & Corley 2000). Others have defined it as that which 'emanates from someone and is attributed by someone to someone else – in the case of collective identity, the "someone" is a group' (Soenen & Moingeon 2002, p. 17). While identity focuses on what members believe about their organisation, image on the other hand relates to what outsiders think, or perhaps more correctly, what organisational members perceive outsiders think (Dutton & Dukerich 1991; Dutton, Dukerich & Harquail 1994; Marziliano 1998; Porter 2001).

Organisational identity relates to the collective understanding of the organisational question, 'Who are we?' The answer to this question is a key component of long-term strategic and structural decision making and agreement amongst stakeholders about that identity are key factors in the sustainability of nonprofit organisations (Young 2001). Questions around an organisation's identity surface at a variety of points along the lifecycle of an organisation such as its formation, when it sustains the loss of a key element or figure, when it fulfils its mission, or at times of very rapid growth or a change in corporate status (Albert & Whetten 1985). At these 'crisis points' members can question, and also be challenged by, deeply held beliefs about the unique characteristics they attribute to the organisation. During these phases, members can be divided into those seeking change and those committed to the status quo.

Organisations are made up of individuals and any concept of what the organisation is about must also incorporate the identities of those that make it up – the concept of self. A person's self-concept can be constructed from a variety of identities, each of which evolves from membership in different social groups, for example those based on nationality, religious affiliation, family or gender. However due to the increasing complexity and fragmentation of social patterns, many of these traditional moorings of identity are being eroded and therefore the sense of belonging to the work organisation has become increasingly important (Alvesson 2000; Dutton, Dukerich & Harquail 1994). Understanding the dynamics of identity are essential due to the impact such notions have on 'how and what one values, thinks, feels and does in all social domains, including

organizations' emphasising the importance of the connection between individuals and the workplace, and the impact this can have on one's own notion of self (Albert, Ashforth and Dutton 2000, p. 14).

At this point it should be noted that members of professional organisations can have multiple connections to their job function, the profession itself or related associations or groups (Albert & Whetten 1985; Alvesson & Wilmott 2002; Balmer & Wilson 1998; Metcalfe & Dick 2001; Pratt & Foreman 2000; Rock & Pratt 2002; Siegel & Sisaye 1997; Soenen & Moingeon 2002).

Glynn noted, 'cultural organizations have hybridized identities, such that contradictory elements – artistic ideology and managerial utilitarianism – co-exist' (2002, p. 64). In her study of the Atlanta Symphony Orchestra she stated that, 'while orchestras may be singular in their cultural contribution, they are multiprofessional in their identity' (2000, p. 285). This case study of the Atlanta Symphony Orchestra demonstrated how two different identities held first by the management/board and secondly by the players themselves contributed to the industrial issues and later action taken. Glynn used Albert and Whetten's definition of identity as 'claims' to the three criteria and extended it via:

'Developing an organization's identity can be construed as a *claim-making process* about those organizational attributes that are central, distinctive and enduring. Lending support to this perspective are Ashforth and Mael's (1996) notion that 'claim', relates organizational identity to strategy, and Porac et al.'s (1999) definition of identity construction as 'an explicit claim that an organization is of a particular type' (Glynn 2000, p. 286).

While members' perceptions about their organisation are critical to successful strategic decision-making, how others perceive the organisation can also directly affect the organisation's ability to achieve its objectives. Generating the required support from outsiders such as customers, regulatory bodies and financial support structures can be difficult if the view held by these external stakeholders differs substantially from the organisation itself (Albert & Whetten 1985, p. 265). The perceived image held by others can also affect individual members of an organisation in many ways, as this forms part of how they experience their own

interaction with the organisation (Soenen & Moingeon 2002). Dutton and Dukerich noted:

‘An organization’s image matters greatly to its members because it represents members’ best guesses at what characteristics others are likely to ascribe to them because of their organizational affiliation. An organization’s image is directly related to the level of collective self-esteem derivable from organizational membership (Crocker and Luhtanen, 1990; Pierce, Gardner, Cummings and Dunham, 1989); individuals’ self-concepts and personal identities are formed and modified in part by how they believe others view the organization for which they work’ (1991, p. 548).

The personal connection between an individual’s own sense of identity and that of the organisation’s can influence both individual motivation and how they interact with the organisation, as individuals ‘have a stake in directing organizational action in ways that are consistent with what they believe is the essence of their organization’ (Dutton & Dukerich 1991, p. 550). The stronger the identification with organisational membership, the more likely individuals will define themselves with the same attributes as those that define the organisation itself (Dutton, Dukerich & Harquail 1994). Congruence between identity and image directly impacts on the organisation members’ motivation and commitment (Dutton & Dukerich 1991; Siegel & Sisaye 1997). Positive outcomes of organisational commitment include the desire to remain with the organisation, lower absenteeism and increased job performance (Mowday, Porter & Steers 1982; Beck & Wilson 2000; Metcalfe & Dick 2001). Negative outcomes of incongruence between the self-image of the employees and the organisational image can include members experiencing stress, depression and ultimately disengagement from their work (Dutton, Dukerich & Harquail 1994).

Murnighan and Conlon in their study of British string quartets highlighted this connection between work and self within artists stating ‘most string quartet players view their work as more than a job: they identify with and are inspired by the music they play’ (Murnighan & Conlon 1991, p. 167). Not unlike the case of law firms studied by Albert and Adams (2002), it has been found that classical

musicians also demonstrate a strong identification with their profession (Murnighan & Conlon 1991; Glynn 2000). Here the professionalism of musicians can be defined partly through their desire to perform at the highest artistic level, their dedication to their craft, their personal artistic standards and the desire to interact with other members of their profession across organisations. Classical musicians in Australian orchestras can also be expected to have a deep passion for their art form that is manifested in the activities in which they choose to participate. This in turn is likely to be reflected in both the choice of repertoire performed and how that music is performed to the public by ensembles in which they play and contribute to artistic decision-making. The identity of the musicians and any links between this and the ensemble's activities is an important element worthy of consideration by other stakeholders when making decisions about the organisation's activities.

2.5 Summary and Conclusions

Corporatisation is the process of changing the management structure of a government-owned entity to bring it more in line with a commercial entity. The new structure opens up the organisation to market pressures and allows the management greater flexibility in its operations, while the government still retains ownership. The intended result is to produce a more flexible and accountable entity, encourage greater entrepreneurial activity and increase in customer focus, therefore allowing a more efficient and effective allocation of government resources. By retaining ownership, the government can create mechanisms to ensure the new entity continues to produce appropriate levels of supply in relation to both quantity and quality to fulfil any identified social objectives, even if not deemed commercially viable by the new entity.

Choosing a nonprofit structure for the new entity can work to achieve some of these assurances. Not motivated by the desire to maximise profits, the nonprofit firm can fulfil the needs of consumers in areas not deemed profitable or where various types of market failure deter commercial entrants. The activities and decisions of the nonprofit organisation are focussed on achieving a mission, articulated by its members and/or stakeholders. This commitment to achieve an

identified mission also offers some assurances to both donors and consumers that what they purchase will be of value and fulfil their own expectations.

However, the desire of the nonprofit to fulfil its mission, potentially ‘at all costs’, can lead to inefficiencies as the entity is driven to produce greater quantity and/or quality of supply than might be considered economically optimal or sustainable. Financial pressures placed on the entity can lead to the organisation seeking a number of remedies such as seeking a continuation of subsidies, increasing charges for services, or reducing the level of provision of services or quality where the associated costs cannot be passed on to consumers. In arts organisations this can lead to challenges in balancing competing values placed on the entity by its various stakeholders. External stakeholders supplying funds and internal stakeholders such as the artists employed may have different goals and objectives that they consider should be met by the entity.

However, there is often an inherent commitment to quality in a nonprofit setting by organisational members who are driven to achieve greater technical efficiency and fulfil the mission over and above any financial motive. At the same time the nonprofit status affords potential donors some assurances that voluntary contributions will be directed to the cause intended such as an increase in quality, and not to increasing organisational profits.

Symphony orchestras are large performing arts organisations traditionally consisting of permanent ensembles. They have large fixed costs predominantly consisting of labour costs, and a product of limited direct commercial appeal. These factors, combined with existing pricing policies, result in an inability to recoup costs directly through sales. Accordingly they rely heavily on financial subsidy either through philanthropic donations or government grants. In addition the fixed technical requirements for producing the art form offer little room for gains in efficiencies through traditional mechanisms.

Efficiency in the case of symphonic music production can be seen in terms of performance output. A musician’s work within the orchestral call-time consists of both rehearsal calls and performance calls. Orchestras have a finite number of calls with which they can utilise the labour of the musicians employed.

Performance output (concerts) is directly related to the number of rehearsal calls required to learn the specific works to be performed. The quicker a musical work can be brought up to performance standard the less rehearsal time required, allowing for more calls to be devoted to performances. This results in a greater number of concert performances being produced within a given timeframe. At the same time, if a work or works have greater market appeal, this allows for more repeat performances to be mounted from the same pool of rehearsed works. Again this leads to a more efficient rehearsal period devoted to bringing these works up to performance standard.

However, a drive to increase rehearsal efficiency can have negative effects on the quality of the works performed. Familiar works or those in a familiar style require less rehearsal time, while those of greater technical variation or innovation will require longer rehearsal periods to perfect. A particular management looking to increase rehearsal efficiencies may be more inclined to choose repertoire that does not require a long rehearsal period, resulting in it moving away from new and innovative works, to more traditional or standard repertoire. This factor can lead to the standardisation of the repertoire performed over time, adversely affecting the growth and development of the art form.

At the same time, works of greater audience appeal provide the opportunity to mount more performances of the same works. The greater the audience appeal a work has, the less likely the work will be new, innovative and/or challenging to audiences. It is usually accepted that traditional symphonic works by well-known composers will have greater appeal to a larger number of potential purchasers of concert tickets. At the same time works in the more popular genres of music such as film scores, musical theatre and commercial music will have the potential to attract larger audiences as potential attendees are drawn from broader market segments. Both these points potentially allow for a greater number of performances to be staged for a given rehearsal period.

However a concert performance in an empty hall can hardly be seen as efficient. As audience members must interact and experience the performance live in the concert hall, it has been suggested by many that attendance levels at performances are important indicators of the production process. Through technological

advancement new concert halls are bigger and have greater seating capacity, allowing more individuals to experience a single performance. Obviously though, the choice of venue is beyond the control of symphony orchestras, as they generally rent an available auditorium from a third party, or are resident in the city's concert hall. Other aspects of the production process may also have an impact on the size of the audience including the type of works chosen to be performed, the choice of guest artists and related marketing and production activities.

Finally, it is important to consider that symphony orchestras are in part defined by the professional status of their membership. As such the identity of the organisation must be informed by the professional identity of the musicians. The inherent characteristics of the organisation are integral to both strategic and structural decision-making, as it can influence what activities are undertaken and vice versa. Hybrid organisations have multiple identities and tension can surface between various actions taken which are aligned to different components of the organisation. Balancing the economic and financial efficiencies of rehearsal and performance schedules against ensuring the development of the art form and production of the highest quality of output may be such an example. In addition, the desire to preserve, and indeed extend, the musical traditions encapsulated in orchestral performances are valued differently between various stakeholders. The business identity of the organisation striving to reach greater efficiencies due to economic restraints placed on it may be in direct conflict to the artistic identity of the organisation looking to produce a sublime experience for the consumer at each and every performance.

The notion of identity and image of the organisation therefore is critical to the success of professionally-based organisations due to the strong desire of members wishing to uphold the ideologies of their profession within this framework. As musicians are a major input into the production process and a key factor in producing the output, their notion of what it is to be professional orchestral musicians, needs to be taken into account. Strong links between identity and image can increase commitment and motivation of the organisational members and as noted by Starr (1997) these factors are central to the effective operations of symphony orchestras.

CHAPTER 3

THE EMPIRICAL SETTING: THE AUSTRALIAN BROADCASTING CORPORATION'S ORCHESTRAS

3.1 Expected Roles of Symphony Orchestras in the Australian Environment

Before commencing an historical account of the development of the professional symphony orchestras in Australia, it is important to define the various types of work that symphony orchestras undertake. Part of the struggle for the orchestras under discussion is the underlying tension between the various roles that can be undertaken by such ensembles.

Three roles for orchestras can be defined as follows:

- **Broadcast orchestra:**
 - Generally owned and operated by a radio broadcasting company.
Predominantly used for providing the company with recordings and live performances for broadcast.
- **Concert orchestra:**
 - Generally set up as an independent organisation whose purpose is the development and dissemination of the classical musical art form.
Activities predominantly consist of live public concerts, with some recording and broadcast opportunities

- Pit orchestra:
 - Generally owned and operated by a performing arts company such as a ballet company or opera company, a venue such as an opera house, or an independent entity. Predominantly used for providing musical support for ballet and opera productions, with some independent concert performances.

3.2 Beginning: 1930s – 1970s

In Australia prior to the 1930s much of the orchestral activity involved either amateur or conservatorium-based ensembles, as there were no professional symphony orchestras at the time. In 1929, the Australian Broadcasting Company set up two small professional studio orchestras, located in Sydney and Melbourne. These original groups of fifteen players were enlarged to twenty-four when the Australian Broadcasting Commission came into existence in 1932 and subsequently took control of the two ensembles. These ensembles were created to provide live music for broadcast on the fledgling radio network and to provide musical accompaniment to other broadcasting activities.

The creation of these ensembles was supported through the Australian Broadcasting Commission Act, which became law on May 17, 1932. The Act in part stated:

‘It [the ABC] should encourage local talent, and in particular it should try to establish for broadcasting “groups of musicians for the rendition of orchestral, choral and band music of high quality”’ (The ABC Act 1932 cited in Inglis 1983, p. 18).

It can be seen from this section of the Act that any musical ensemble created by the ABC was to provide ‘high quality’ music for broadcasting purposes. This stipulation that any groups established by the ABC were for the purposes of broadcasting is highlighted time and time again in many reports commissioned in the 1970s and 1980s. The *Dix Report* (1981), for example, noted strongly that the ABC Act empowered the organisation to ‘establish and utilise groups of musicians for the rendition of orchestral, choral and band music of high quality in

such a manner as it thought desirable to confer the greatest benefit on broadcasting' (Dix 1981, p. 324, original italics).

In 1936, Bernard Heinze was appointed the first Music Director of the ABC and with the General Manager, Charles Moses, established a 'Studio Broadcasting Unit' with small ensembles in each of the six States. These 'core' orchestras ranged in size from forty-five players in Sydney to eleven players in Tasmania. The Melbourne ensemble had thirty-five players, while Adelaide, Brisbane and Perth each had seventeen players. They worked a twenty-one hour week and were augmented with additional casual musicians as required for live concerts (Buttrose 1982).

At this time there was no ability to broadcast programs nationally, and hence there was a need to create broadcasting stations in each of the major city centres. However the desire to provide each capital city with a professional symphony orchestra for live concert performance also seems to have been an important aspect of the early development of these ensembles, as each orchestra performed in concert halls with the aid of additional musicians on a regular basis. In fact in 1942 the ABC Act was amended to include a clause authorising the ABC to hold public concerts, stipulating however that all or part of such concerts must be broadcast if admission charges were made.

After the Second World War, there was a period where the ABC actively sought additional financial assistance from the respective State and local governments to provide more substantial orchestral services to each community. Between 1945 and 1949, Moses was able to convince the respective State governments and city councils to contribute to their orchestra in order to increase the size of each and at this point they were able to create a workable (and recognisable) symphony orchestra in each State of Australia. The States agreed to the proposals as long as the ABC retained control of the administration of the orchestras (Buttrose 1982). (See **Appendix 1** for details of each establishment during this time).

By 1950 there were agreements in place for both State and local authorities to contribute funds to support the development of symphonic music being undertaken by the ABC. At this time the ABC was receiving nearly £90,000 of

State and municipal money to help fund the orchestras. While fully owned by the ABC, these State orchestras were seen as 'civic amenities' and in recognition of this fact the ABC guaranteed that a set number of free concerts would be undertaken in each State in exchange for the local support (Inglis 1983, pp. 157-159).

It must be remembered, however, that while these orchestras did undertake substantial concert work including subscription concerts and schools concerts, they were developed primarily to service the broadcasting needs of the ABC. At this point the ensembles created were essentially Radio Broadcasting Orchestras. A predominantly European model, this structure sees the ensembles' primary objective being to undertake studio recordings, as well as some limited public performances, which can be directly broadcast over the radio. This structure allowed for the broadcasting of quality music of considerably greater length than permanent recording technology of the time would allow. As a result of the geographical isolation of Australia's capital cities and the broadcasting capabilities of the time, the ABC was required to maintain regular ensembles in each of these locations if they wished to broadcast symphonic music. In this model the broadcasting organisation created an asset that it could then utilise to provide content for broadcast virtually 'on demand' as required by the programmers of the various radio programs across Australia.

Over time, improvements in permanent recording technology enhanced the ability to record an orchestra and then subsequently broadcast the performance at a later date. This advance in technology also saw the increased availability and quality of commercial recordings from European and American orchestras. Inglis (1983) noted the impact of technological development during the 1950s on broadcasting and in particular the introduction of the Long Play (LP) narrow groove vinyl recordings in 1951. With this new technology, performances were no longer recorded on 78s, which needed to be changed every four minutes. This allowed a greater number of works to be recorded and commercial companies began producing recordings of a great variety of both repertoire and orchestras for an international market.

The second great technological development which was to influence the activities of the ABC was the introduction of television in Australia in 1956. The ABC made its first television broadcast on 5 November 1956 (Inglis 1983, p. 198), thus ushering in a new era for the Commission. With the ABC's commitment to this new medium of communication and entertainment, the organisation restructured to include both Radio and Television divisions. Inglis noted that while some major music performances were broadcast on television, the average symphony concert, which was the staple of radio, was not seen as being able to justify more than the occasional television broadcast (Inglis 1983, p. 207). In this regard the orchestras remained very solidly a component of the radio arm of the organisation.

Taking these facts into account, the argument for maintaining six large musical ensembles whose primary objective was to provide orchestral music for radio broadcasts began to weaken. The orchestras were more and more seen as public concert orchestras, rather than merely broadcasting ensembles. The fact that the orchestras were also partly financially supported by their respective State and municipal governments may have been in part responsible for the introduction of a mixed set of objectives. While on one hand the ABC orchestras' primary goal was to provide music for broadcast, they were also seen as 'civic amenities' being important contributors to the cultural life of each city and State. Live performances such as major evening concerts in halls, school educational concerts and free outdoor concerts became an increasingly important component of the activities of these ensembles. However this desire to perform live public concerts would have necessarily been tempered by the requirement of the ABC Act, 1942 to broadcast all or part of these performances. At this point the orchestras seemed to have developed into a type of hybrid model – not quite a broadcast orchestra and not quite a distinct concert orchestra.

3.3 A Time of Review: 1976 – 1992

During the period 1976 to 1992 at least six reports were commissioned by the government, which looked at the activities of the Australian symphony orchestras. While the focus for each was different with some looking at the performing arts in general, others at the ABC as an entity and others still at the orchestras in

particular, during this period one can identify a number of recurring findings and recommendations. However a lack of action by the government and the ABC, and the reluctance of the ABC to relinquish control over the orchestras, seemed to have spurred external stakeholders to continually lobby for continued investigation and scrutiny of the orchestras until the launch of Australia's first national cultural policy, *Creative Nation*, in 1994. The following section will review the six major reports that were published during this time.

Report into the Assistance to the Performing Arts (1976)

Continual technological advances such as the introduction of Digital Audio Tape (DAT) in the late 1970s, the Compact Disc (CD) in the mid 1980s, (and more recently Digital Video Disc (DVD) technology for audio discs or even digital streaming via the Internet and Pod casts, etc.) has contributed to the ever-increasing quality and availability of excellent commercial recordings of all forms of music from across the world. These examples of changes in the technological environment increasingly eroded the notion of the necessity for a broadcasting organisation to retain its own musical ensembles for broadcasting purposes. This certainly was the sentiment of the Industries Assistance Commission (IAC)

Report into the Assistance to the Performing Arts (1976).

In looking at the performing arts sector in Australia as a whole, the IAC noted that that the most obvious Commonwealth subsidies to the performing arts were through the Australia Council and the ABC (IAC 1976, p. 28). The most direct assistance that was made by the ABC towards the performing arts at this time was for music with the cost of the six State orchestras in 1975-76 being \$9.1 million. Some of that cost was offset by State and local government subsidies, but less than 20 per cent was raised through the box-office (IAC 1976, p. 28).

In regard to the ABC's role in supporting these orchestras, the report noted:

'These orchestras appear to have been originally established for three reasons:

- to provide classical music for broadcasting of a higher technical quality than was then possible with recordings;

- to meet a need for public performance prior to the general availability of high fidelity equipment in homes for musical reproductions (both from broadcasts and recordings); and
- to foster the expansion and quality of local musical talent' (IAC 1976, pp. 28-29).

The report also highlighted that the continued development of recording techniques produced recordings of 'a higher technical quality than that available from most public performances' and this was eroding any justification for the ABC to continue its 'subsidising [of] public performances to such an extent' (IAC, 1976: 29).

It seems the perspective taken by this review in regard to the ABC and its orchestras sits squarely within the parameters of providing music for broadcast and not live performance presentation. The ABC is a federally-funded organisation whose primary goal is to provide broadcasting services to the people of Australia. How then does one justify the continued support of symphony orchestras within such an organisation, when commercial recordings arguably provide a more effective and efficient substitute? With such a narrow view established, it was concluded that the existing investment in musicians was not warranted and the model of a hybrid broadcast/concert ensemble had become outdated and no longer viable. If the orchestras were truly broadcast ensembles, then their usefulness had passed. If they were concert orchestras on the other hand, then why did the ABC own and operate them, effectively subsidising their concert activities to such an extent? This appeared to be the dilemma faced by the review and its recommendations highlighted this. The report suggested that the ABC should no longer support orchestral activities at the existing levels and they should restructure this aspect of the organisation.

The report concluded that any effects of reallocating the funds used for the orchestras 'could involve substantial reorganisation – as well as reductions, in their traditional activities' (IAC 1976, p. 29). Any reduction in the number of public performances would partly have been decided on the willingness of patrons to pay prices more in-line with the costs, as well as the cost effectiveness of their presentation, where '...present policies involving much duplication of orchestral

activities (especially their provision in the smaller State capitals) appear inefficient and unnecessarily costly in both financial and performance quality terms' (IAC 1976, p. 29).

The recommendations of this report were not implemented but interest in the activities of the orchestras and the role of the ABC in owning and managing them continued to grow. In 1977 in response to this interest, The Senate Standing Committee on Education and the Arts (SSCEA) commissioned the *Report on Employment of Musicians by the Australian Broadcasting Commission*.

Report on Employment of Musicians by the Australian Broadcasting Commission (1976)

The original frame of reference for this review was to look at the maintenance of levels of employment for musicians by the Australian Broadcasting Commission, with particular reference to:

- the continuance and growth of Symphony and other orchestras;
- the extension of training facilities for musicians; and
- the need for the creation of employment opportunities of music graduates for Conservatoria and Colleges of Advanced Education (SSCEA 1977, p. 2).

However, as noted in the report, 'The Committee looked beyond the immediate ABC involvement and examined the questions of present and future needs of orchestral resources in relation to other users such as opera, ballet, theatre companies and choral groups...' (SSCEA 1977, p. 2).

It is interesting to see that all the submissions given to the Committee paid tribute to the contribution made by the ABC to the development of orchestras in Australia. Many suggested that if it were not for the ABC having set the orchestras up in each State it was doubtful that so much would have been achieved (SSCEA 1977, p. 17). However there were criticisms of the ABC continuing to own and manage the orchestras, including the perceived overuse of orchestral time in recording studios and the priority of broadcasting over other 'non-ABC' uses for the orchestras that may have been of greater community benefit.

Recommendations made by this Committee included that the ABC, in consultation with relevant State government authorities, the Musicians' Union and State performing arts organisations, should look at making the orchestras available to be used 'in a wider community context' (SSCEA 1977, p. vii). Other recommendations included:

- to remove the requirement of the Act to have whole or part of a concert performance broadcast for which it charges admission;
- to improve audience attendance through experimentation with the subscription system;
- to undertake research into audience response to programming decisions with a view to increasing audience numbers;
- to look to more effective sales promotion of recordings; and
- to look at more appropriate employment conditions for musicians and that the ABC accepts greater responsibility for promoting Australian soloists.

From these recommendations it can be seen that again the notion of moving the orchestras further away from the broadcasting model to a more public concert model was being encouraged. While there was still value to be gained from the ABC being able to access material for broadcast purposes, it was perceived that the limitations placed on the orchestras under this system detracted from their ability to develop their live concert activities to their full potential. Externally focussed recommendations looked to increasing audience appeal and sales promotion for both concerts and commercial recordings, suggesting that an increase in public performances and income generation from these activities was important to the future success of the orchestras.

In relation to the provision of the ABC Act (1942) that stipulated all or part of a performance needed to be broadcast either directly or at a later date via tape, the Senate Standing Committee noted that this was not in the best interest of either music performance or audience appreciation. Noting that many concerts were repeated up to three times as part of a subscription series, it was suggested that this would lead to unnecessary repetition if all three concerts had to be broadcast. In addition there existed potential for tension between the orchestras wanting to do more concerts and the ABC not really having the avenues to broadcast all the material recorded (SSCEA 1977, pp. 26-28). This clause of the Act remained until

1980 when it was removed as part of changes implemented in 1981 (Dix 1981, p. 325). At the time, the perceived imbalance between the two main aspects of orchestral activity (concert performance and broadcasting requirements) was of great concern to many who made submissions to the review.

In addition, when not rehearsing for concerts, the orchestras were required to undertake studio recordings for later broadcast. It was argued that a disproportionate amount of time was spent on studio and recording work compared to live performances (SSCEA 1977, p. 18). This issue over use of orchestral time in the studio was in particular focussed on what are termed the BAPH orchestras (BAPH is an acronym often used to identify the group of four orchestras based in Brisbane, Adelaide, Perth and Hobart). For example the Tasmanian Symphony Orchestra (TSO) spent as much as 46 per cent of its time in studio work while the Melbourne Symphony Orchestra (MSO) and the Sydney Symphony Orchestra (SSO) only spent 17 per cent and 19 per cent respectively on recording activities. While most musicians understood that studio work was part of the job, it was suggested that excessive studio work was 'monotonous and uninteresting' and 'a factor in turning away many young musicians from a career in the ABC orchestras and in acting as an incentive for musicians to leave the smaller States when positions occurred in the larger orchestras where there was less studio work' (SSCEA 1977, p. 18).

It was also noted that orchestras were often given recording work not based on their ability to perform the work in question but because they had spare call time (SSCEA 1977, p. 20). This observation showed that there seemed to be two profiles emerging within the group of orchestras. On the one hand the orchestras of Sydney and Melbourne were moving closer to being predominantly concert orchestras while those of the BAPH States were continuing their hybrid status of a mix of concert and studio recording work. The impact of this hybrid status on the musicians was evident, as the Committee found that musicians were more interested in working with concert orchestras rather than the broadcast/concert orchestras.

At the time of the Senate Standing Committee report, the Sydney Symphony Orchestra and Melbourne Symphony Orchestra worked a 30-hour week (10x3

hour calls) while the BAPH orchestras worked a 24-hour week (8x3 hour calls) (SSCEA 1977, p. 6). The report noted that other performing companies such as opera and ballet companies in the BAPH cities had to rely mostly on other musicians and orchestras to support their activities, giving rise to ensembles such as Western Australian Arts Orchestra (1972) and the Queensland Theatre Orchestra (1976), while both Sydney and Melbourne had dedicated pit orchestras through the Australian Elizabethan Theatre Trust. The report concluded that there was no reason why the BAPH orchestras couldn't work a 30-hour week if there was a demand for their services, suggesting that this additional time could be utilised to provide the musical support for opera, ballet and theatre companies as required (1977, p. 24). This is another recurring theme in many of the reports. The *Dix Report* (1981) citing the *Committee of Inquiry, Report to the Australia Council on Opera/Music/Theatre in Australia – May 1980* highlighted the point that there was relatively little or no opportunity for orchestras to serve purposes other than studio or ABC concert work, such as providing musical support for opera companies (Dix 1981, p. 345).

These comments bring in the third rationale for orchestral activity, namely providing pit services to other performing arts companies. Pit orchestras are usually attached to either performing companies or to performing venues (eg opera houses). These orchestras predominantly perform in the orchestral pit of theatres and provide the musical component of opera and ballet performances. They may also undertake some concert work in their own right but this is a secondary role. Allowing the orchestras to undertake pit work may have led to increased efficiencies by offsetting the cost of supporting the orchestras with fee-for-service work and reducing what was deemed to be wasted time in unnecessary studio work. However there was no evidence provided to suggest that an orchestra would be able to successfully fulfil the requirements of these three separate functions. The increasing complexity of creating hybrid broadcast/concert/pit orchestras may have further diluted the focus of the orchestras, leading to even greater dissatisfaction with stakeholders and the musicians employed.

Again nothing happened in regard to restructuring the orchestras as a result of this Report, until the implementation of recommendations from a review into the entire ABC chaired by Alex Dix.

The Dix Report (1981)

In 1981 the *Committee of Review of the ABC* chaired by Alex Dix tabled its report, commonly referred to as the *Dix Report*. The Committee undertook to review all aspects of the national broadcaster, including asking the question: 'Is the ABC still the appropriate body to run schools broadcasts, symphony orchestras and Radio Australia?' (Dix 1981, p. 16). The fundamental recommendation of the report in relation to this question was that these functions and related appropriations should be separated out from the ABC, and separate budgets allocated to each one (Dix 1981, p. 16).

Like the Senate Standing Committee Report, the *Dix Report* also commended the ABC in its contribution to Australia's musical life. Following similar concerns raised in earlier studies, the report continued by noting:

'However, the orchestras were established primarily to provide music for the broadcast service and the need for other uses of the orchestras has increased. The ABC's current internal structure serving orchestral and concert management is inappropriate and distances the orchestra from changing community needs in their State' (Dix 1981, p. 17).

The structure and organisation of the orchestral and concert activities of the ABC at the time can be described as follows. The ABC orchestras were managed by the Music Department while the responsibility for organising concerts belonged to a separate Concerts Department. The Music Department, as identified earlier was housed in the Radio Division of the ABC, while the Concert Department was an individual section of the ABC. The Federal Director of Concerts reported directly to the General Manager of the ABC, while the Director of Music reported through the Controller of Radio 2 to the Assistant General Manager (Radio) (Dix 1981, p. 327). This structure saw the Controller of Radio 2 at the top of the orchestral hierarchy with the Director of Music underneath, followed by the orchestral management and finally the orchestras themselves. However, the Federal Director of Concerts was directly under the General Manager of the ABC and had under his control planning, promotion and the administration of public concerts (Dix 1981, p. 328). It seemed to the Committee that this situation had inherent structural inefficiencies, with Concerts being responsible for booking halls and the

promotion of concerts while Music was responsible for organising the programming, orchestras and guest artists and conductors. This arrangement was not able to provide a suitable structure to allow the orchestras to fulfil both broadcasting and live performance roles adequately.

The Committee highlighted a significant number of issues in relation to the successful management of what was increasingly seen as a network of concert orchestras. The following concerns raised by the *Dix Report* highlighted this dilemma:

- low attendance levels at public concerts;
- poor concert programming;
- lack of Australian works;
- poor quality of artists and conductors;
- poor community links between orchestras and their own communities;
- divided loyalties between the ABC and the local environment; and
- lack of effective promotion and publicity of concert activities (Dix 1981, pp. 346-363)

The above dot points all relate to the role a concert orchestra might be expected to perform in its community. To allow the orchestras to adequately address these issues, the report recommended that the orchestras be separated from the ABC completely. To achieve this, the report suggested the establishment of an independent organisation called 'Music Australia' to take responsibility for all the activities undertaken by the ABC in relation to both orchestral management and concert production. Ultimately, the report suggested that each orchestra should become a State responsibility (Dix 1981, p. 17). This recommendation took the perspective that the symphony orchestras should become predominantly concert orchestras and be responsible to, and the responsibility of, their own communities.

These major changes would have seen the existing Concert Department and the Music Department components that related to the orchestras merged into one department, which would take control of all orchestral related activities. Within the medium term the new entity 'Music Australia' would become an independent body separate from the ABC, effectively creating a new national organisation responsible for the operations of the orchestras. Music Australia would retain the

management of the orchestras until new mechanisms could be developed to transfer operations of each orchestra to State control. Music Australia would however retain national networking responsibility and be the conduit through which Federal funds would be transferred to the orchestras (Dix 1981, p. 32).

This model would have seen the severing of ties between the ABC and the orchestras and changed the focus of these ensembles, putting them squarely in the framework of being predominantly concert orchestras, which could then undertake some broadcasting work for the ABC as agreed. In addition this model would have opened up the opportunity for some (if not all) orchestras to engage in pit work for their respective State's opera and ballet companies.

The ABC did not concur with the recommendations of this Committee and continued to argue for the retention of the orchestras within their organisation. In its submission to the Committee, Dix noted:

‘... the ABC placed great emphasis on what it saw as the advantages arising from ‘Australia-wide co-operation, co-ordination and unification provided by the ABC method of orchestral administration.’ The ABC concluded that none of the alternative proposals which have been made for orchestral management ‘would serve the musical needs of the Australian community as a whole more efficiently, more economically or with superior artistic results than the present system’ (Dix 1981, p. 363).

This submission reiterated the ABC's assertion of being best positioned to provide a national approach to orchestral services within the community, which was oppositional to the State focus recommended by the Dix committee. As has already been noted, in the early stages of the orchestras' development, the respective State and local governments contributed significant funds to the running of the orchestras. By the time of the *Dix Report* however this contribution had been considerably eroded. At this time the orchestras were predominantly funded by the Federal government through the appropriations of the ABC. In 1979 the ABC contributed around 88 per cent of the total running costs of the six orchestras. However the findings of the review questioned the ability of this structure to support the individual orchestras in providing the required level of

concert activity in each location. A State-based concert orchestra model was suggested as being more able to provide the required level of concert activity in each State. One would assume that this would also have required substantial additional financial support to be generated at the State and local level.

Following the publication of the *Dix Report*, the recommendations in relation to the orchestras were reviewed and discussions took place between the States and Federal constituents. In a later report, the ABC commenting on the actions taken in response to the *Dix Report* noted, 'The problem of attracting additional State and local government funding to support the Music Australia concept emerged as one of the major stumbling blocks' (Cultural Ministers' Council 1985, p. 175).

Subsequent to the *Dix Report* the ABC began a major process of restructuring, including the change in status from a Commission to a Corporation. As part of the restructuring the new Australian Broadcasting Corporation reorganised its activities into distinct divisions. A single division of Concert Music was created in 1984 under a Director, Concert Music – effectively separating the traditional television and radio broadcasting activities, and orchestral activities of the ABC. This Division was created out of the former separate infrastructures and directors of Concerts and Music (Waks 1992, p. 5). This structure saw the complete merging of the broadcasting and concert activities of the orchestras into a true hybrid concert/broadcasting model.

The Tribe Report (1985)

Whilst the restructuring that occurred as a result of the *Dix Report* was perceived as a step in the right direction, many felt that the reforms did not go far enough in addressing the many concerns raised in previous reports. In 1984, the Cultural Ministers Council (CMC) resolved to 'establish a study into the future development of orchestras in Australia' (CMC 1985, p. 1). It was to look at the future demand for orchestra services across Australia and included the various symphony, chamber and pit orchestras. The subsequent report to the Cultural Ministers Council (1985) titled *Study into the Future Development of Orchestras in Australia* was produced, more commonly called the *Tribe Report*, after its chairman Kenneth Tribe. Recommendations of this study covered the six State symphony orchestras and the ABC Sinfonia (all under the control of the ABC);

the two Elizabethan Theatre Trust Orchestras (Sydney and Melbourne); the Australia Chamber Orchestra; plus a number of part time and semi professional groups. Of interest to this thesis is the discussion and recommendations regarding the ABC orchestras.

It was felt that the system/structure of management of the symphony orchestras through the ABC, which had been in place for forty years by this time, 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' (CMC 1985, p. 14).

Having listed a number of merits of the incumbent system of the time, the *Tribe Report* noted widespread dissatisfaction. In regard to an 'impression that all is well in the orchestra world' it stated:

'It would seem, however, that such an impression is illusory. Why, otherwise, would every Minister for the Arts, State and Federal, in Australia have called for this study so soon after the mammoth *Dix Report* and the rejection of its recommendations for orchestras? Why after *ten* (according to ABC personnel) other studies into orchestral matters over a relatively short period would this, the eleventh, be called for? Why was the great weight of submissions to the Study Group from the musical and general community so heavily critical of the system? Why do many of the major figures in Australian music see the ABC operation of the orchestras as the major obstacle to musical development in Australia? Why indeed does the ABC itself look to change the system?' (CMC 1985, p. 25).

Like the various reports preceding it, the *Tribe Report* advocated that the ABC should no longer be involved in the direct ownership and management of the orchestras. Common themes that emerged across this period of time were:

- questioning the requirement for a broadcasting organisation to have its own ensembles;
- centralised control of a national network had led to a lack of tangible links between each orchestra and their own local community;

- the perceived inefficient use of orchestral resources where many hours were devoted to studio work and little opportunity to undertake non-ABC work;
- questions over quality of both inputs (musicians, soloists, conductors) and outputs (actual performances);
- declining audiences; and
- lack of expertise in orchestral management.

Reasons cited for wanting to change the structure/system of management included:

- increase in flexibility for each orchestra;
- opportunity to develop individual and local identities;
- more accountability for each orchestra both financially and artistically;
- the potential to develop sponsorship arrangements; and
- the potential to attract greater support from the State governments.

It was noted by the Report that the benefits of the national co-ordination of activities through the existing structure may be lost if each orchestra was devolved separately. To facilitate functions such as negotiation of international artists and conductors, tours and the Federal Music Library, it was proposed to form a 'National Orchestral Association'. This association would attempt to capture any existing economies of scale evident in the national network through offering services on a needs basis, funded through a fee-for-service arrangement with each orchestra. In addition the association would be able to act as a lobby group, representing 'the combined interests of orchestras to governments and funding bodies' (CMC 1985, p. 12).

Again it can be seen that the panacea for the identified ailments was to prescribe major surgery. By removing the orchestras from the restrictions of the ABC, it was put forward that each orchestra would be able to develop and prosper in its newfound freedom. However, as before, there was little opportunity provided for reaching agreement with the States to take over local control of the orchestras. This was due to two factors: the added costs that the States would have to bear; and the perceived duplication of many support services that would need to be developed. Consequently, the recommendations of the *Tribe Report* were not

enacted immediately, but the Cultural Ministers Council continued to explore and monitor the situation.

Review of National Broadcasting Policy (1988)

A useful summary of the state of play for the orchestras post-*Tribe* can be found in a Discussion Paper prepared by the Department of Transport and Communications (DTC) in the *Review of National Broadcasting Policy (1988)*. This report noted that the Cultural Ministers Council had requested the ABC to provide by April 1986 and at six monthly intervals thereafter, reports on the progress of the Corporation in implementing its changes and addressing the problems identified in the *Tribe Report* (DTC 1988, p. 4).

The report also noted that in February 1987 the Cultural Ministers Council had identified that progress was slow but encouraging, giving a date of April/May 1989 for completion of changes and improvements in regard to player morale, higher artistic standards, increased local autonomy and greater community involvement. Interestingly the report also noted that at that time the State governments were showing 'renewed interest in taking responsibility for the orchestras' (DTC 1988, p. 4).

Advantages of the ABC retaining ownership, cited by the Review (DTC 1988, p. 4) were:

- ABC's history and expertise in orchestra management;
- sound financial base for orchestras;
- complementarity of concert giving and broadcasting and television;
- the provision of training and careers for musicians; and
- a commitment to greater community involvement through the Concert Music Division.

On the other hand the disadvantages of ABC ownership cited were (DTC 1988, p. 5):

- decline in State and local government financial support – State and local subsidy fell from 45 per cent in 1946 (for the SSO) to 30 per cent (for all orchestras) in 1962. At 1988 they stood at just 6 per cent;

- inefficiencies due to having two orchestras in some States (one symphony and one to service ballet, opera, etc);
- falling concert attendances;
- administration/overhead costs and the number of non-musicians being too high;
- a large amount of time still spent in studio work and rehearsals; and
- poor player morale and general dissatisfaction.

Again the critical argument that the ABC's primary task was broadcasting and that the maintenance of symphony orchestras was no longer integral to this task was raised. In summary, the report noted that the arguments favoured local ownership because it may lead to:

- cost effective and efficient rationalisation of national orchestral resources and public funds;
- improvement in the possibility of raising revenue;
- improvement in community access; and
- improvement in player morale.

At the same time there were a number of arguments against local ownership including: (DTC 1988, pp. 5-6)

- the ABC would incur heavy expenditure buying the services of outside orchestras;
- it would interrupt the ABC's ongoing restructuring program;
- it would require new administration structures, often duplicating the current ABC structure;
- it may create disparities between States in their ability to access orchestral services;
- there may be possible industrial action taken by the Musicians' Union; and
- it would destabilise the orchestras due to the non-existence of State structures ready to receive the orchestras.

The report did not make any recommendations but concluded by noting that both the *Dix* and *Tribe Reports* realised the need for a national co-ordinating body for the orchestras, but that this body should not be the ABC (1988, p. 6).

The Waks Report (1992)

A further step towards local autonomy did occur around this time with the continued devolvement of management responsibility from the central Federal Office in Sydney to local branch offices. Some evidence to show that the ABC was working to address many of the issues raised in both the *Dix* and *Tribe Reports* can be found in a further review undertaken by Nathan Waks and tabled in 1992. Whilst this review looked primarily at programming issues and related aspects of the ABC's music policy, it does provide some insight into the current state of affairs of the orchestras.

Local management of the orchestras had been strengthened to ensure individual orchestras 'would be responsive to the changing needs and requirements of their local community' (Waks 1992, p. 5). Budgets and staffing were devolved and the general managers of each orchestra were able to manage their own orchestra, with Federal co-ordination and policy setting done through Sydney and the Federal Director. Waks stated that at the time of the report 'concert attendances are increasing, along with the number of concerts given, and musician numbers continue to rise while non-musician staff numbers decrease' (Waks 1992, p. 5).

In relation to artist and repertoire policy, the situation at the time allowed for up to 14 people to be involved in the decision making process, being:

- two head office programmers;
- six orchestral managers; and
- six chief conductors.

However Waks conceded that in reality the chief conductors were not in Australia often and the orchestral managers did not always have the necessary time, skills and/or knowledge required for repertoire decisions, leaving much of the decision making in practice, to the head office.

Noting that no ABC orchestra had a *resident* chief conductor, Waks suggested they should look to appoint permanent artistic advisers to the administrative staff of each orchestra, similar to the structure already in place at the Queensland orchestra (Waks 1992, pp. 9-10). In addition Waks felt that greater use of the musicians in the orchestra could be made to help determine programming, stating

‘Whilst there are artistic, consultative and players’ committees in place in some of the orchestras, I am not confident that the fullest use is being made of the potential for artistic input which exists’ (Waks 1992, pp. 10).

Waks also noted that careful consideration should be given to the ‘smaller States’ when considering the advantages and disadvantages of a national network versus total autonomy. While supporting the notion that each orchestra should have ‘strong regional identities and totally independent artists and repertoire decisions’ (Waks 1992, p. 15), there was still a strong argument to support the national coordination of many activities and in particular the value of collective negotiation when attracting international artists. He concluded:

‘If managed and funded as stand-alone entities, the four orchestras outside the large audience centres of Sydney and Melbourne would find it very difficult to attract the highest quality international artists and guest conductors, for whom the appeal and reputation of Australia is connected with the two large orchestras. Further, the cost of setting up individual tours would be outside the capacity of these four orchestras’ (Waks 1992, p. 15).

Again Waks highlighted the continuing themes of local identity, and independent artistic and administrative management versus centralised control, although he was more cautious when touching on the issue of divestment and local ownership. Here he recognised the potential implications for the smaller States in no longer being afforded the strength and opportunities provided through their position within the ABC. However he did add weight to the argument that the orchestras are and should be increasingly seen as concert orchestras that independently plan and program their own activities in response to their local environment and conditions.

Ultimately however, the fate of the orchestras and whether they would separate from the ABC was sealed by the subsequent release of a new Federal Cultural Policy document, as discussed in the next section.

3.4 Corporatisation: 1994 - 2000

In 1994 the Federal Government's *Creative Nation* policy was launched. This document was arguably the first national cultural policy in Australia's history. Its aim was to create an environment that would foster and preserve the Australian culture, recognising that 'the ownership of a heritage and identity, and the means of self-expression and creativity, are essential human needs and essential to the health of society' (Commonwealth of Australia 1994, p. 2). One of its proposals was that the Sydney Symphony Orchestra (SSO) and its funding would be removed from the ABC to become a separate entity. Additional Federal funds were to be allocated to bring the ensemble to international standard (stated as being 110 musicians). The rationale for this restructuring was the belief that 'The worlds' finest orchestras all operate under local control, and are accountable first and foremost to their cities of residence' (Commonwealth of Australia 1994, p. 27). This policy, for the first time, took one of the ABC orchestras and removed any question of its hybrid status by recreating it as an independent concert orchestra. This orchestra was to be seen not as a resource of the national broadcaster but as a distinct major community cultural asset in its own right. This policy also opened the door for other orchestras 'to develop further, if necessary outside the ABC' (Commonwealth of Australia 1994, p. 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, p. 28). In enacting this recommendation the corporatised model of divestment was chosen and 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 for the SSO with the sole shareholder being the ABC.

Over the next ten 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 remaining five orchestras. These discussions focused on developing a structure for the remaining orchestras that would provide operational, managerial and financial independence while maintaining the benefits of a national network. At this point there was agreement amongst stakeholders about the primary role of the symphony orchestras: to provide a program of live classical music concerts for the benefit of

local public audiences. Having decided this priority function of the orchestras, it remained to determine what structure would best facilitate the efficient and effective delivery of these services.

Models that were considered included maintaining the status quo as well as others based upon those presented by the *Dix Report*, the *Tribe Report* and *Creative Nation*. The status quo would see the remaining five orchestras remain within the ABC, be funded from within the ABC's overall appropriation and the musicians remaining its employees. The model built upon the *Dix Report* proposed that the Concerts Division responsible for overall management of the orchestras be restructured as either a subsidiary of the ABC or as a wholly independent company, taking the orchestras with it. The *Tribe* model proposed each orchestra be devolved to local ownership with the creation of a new National Orchestral Association to provide services to the orchestras on an as needs basis (Cultural Ministers Council 1996a).

However it was argued that none of these options would provide the required independence sought by the orchestras while at the same time providing the 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 corporatised model would provide the local autonomy desired for each orchestra while also retaining positive aspects provided by a national 'umbrella' organisation (Cultural Ministers Council 1996a).

It was proposed that this 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, p. 4). In addition it would also provide the following benefits:

- strengthen incentives for local stakeholders to increase their commitment to their orchestra;
- maintain ABC links, efficiencies and scope to retain national programs;
- and

- allow for the provision for direct funding to individual orchestras or centrally determined funding, to be decided (Cultural Ministers Council 1996a).

Ultimately the corporatised model was adopted for converting the remaining ensembles into separate concert orchestras. The Concert Music Division was also to be corporatised as *Symphony Australia* and along with the 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 to the orchestras (although this later changed to flow through the Major Performing Arts Board of the Australia Council). All States agreed to provide additional funding to their own orchestra, to supplement the Federal support (Cultural Ministers Council 1996b).

On 1 July 1997 the corporatisation process that had begun in 1996 with the SSO, continued with the creation of Symphony Australia Pty Ltd, the Melbourne Symphony Orchestra Pty Ltd (MSO) and Adelaide Symphony Orchestra Pty Ltd (ASO) as separate nonprofit companies with the sole shareholder being the ABC. The remaining three orchestras (Western Australian Symphony Orchestra (WASO), the Queensland Symphony Orchestra (QSO) and the Tasmanian Symphony Orchestra (TSO)) were placed within Symphony Australia Pty Ltd, which acted as a holding company. WASO was then later corporatised on 8 January 1998 and TSO on 1 July 1999. The QSO undertook a merger process outlined in the *Final Report of the Major Performing Arts Inquiry, Securing the Future* (1999) (commonly referred to as the *Nugent Report*), combining with the Queensland Philharmonic Orchestra to form a single ensemble. The resulting ensemble, called the Queensland Orchestra (QO) was subsequently corporatised on 30 October 2000.

3.5 The New Era: 2000 and Beyond

Eight years after the corporatisation process began the Cultural Ministers Council again requested a review of the symphony orchestras. The subsequent report, published in 2005 by the Department of Communications, Information Technology and the Arts (DCITA), was chaired by James Strong and is

commonly known as the *Strong Report*. The review looked at many aspects of Australia's orchestras, including all professional symphony and pit orchestras. The report noted that the orchestras were an integral part of Australia's cultural life and played a valuable role in the musical community (DCITA 2005, p. 1). The report also noted that the Federal and State governments combined contributed a total of \$57 million in 2004, signifying a significant commitment to their existence, and therefore investment in the cultural life of Australia.

Within the terms of reference set out for it, the review focused on the financial viability of the orchestras and looked to provide recommendations to ensure this, within the set parameter of maintaining the existing government funding levels (DCITA 2005, p. 16). The report cited the four guiding principles of the Major Performing Arts Enquiry 1999 (commonly referred to as the *Nugent Enquiry*) of artistic vibrancy, cost effective access, financial viability and transparency of funding as being key factors to consider (DCITA 2005, p. 15) but went on to state that:

'The main area of concern for the orchestral sector in the context of these principles is financial viability. This is so pressing for some orchestras that the review has taken a predominantly business perspective and has focussed on enhancing the medium-term viability of the orchestras' (DCITA 2005, pp. 15-16).

The report did not focus its discussion on artistic aspects, and did not assess the individual artistic value and contribution made by each orchestra in any way. In fact it explicitly acknowledged this, stating that it was not the purpose of the review to undertake an artistic evaluation or an analysis of marketing or performance measures (DCITA 2005, p. 1). It did however look at the whole orchestral sector in general to analyse 'carefully each orchestra's cost base and revenue stream and sought to identify opportunities to improve financial performance' (DCITA 2005, p. 16). In addition to financial viability, the report looked at issues of governance, the relationship with the ABC, employment relations, size of the ensembles and the provision of orchestral services to other organisations such as opera and ballet companies. The main recommendations falling under these areas of focus are as follows.

The primary recommendation was that the orchestras as subsidiary companies of the ABC should be wound up and reconstituted as public companies limited by guarantee. The accumulated deficits of these subsidiaries should also be eliminated, the source of which was to come from future funding allocations. As a result of each orchestra becoming an independent company they should seek to make independent service agreements with the ABC to allow the continued promotion and broadcasting of performances. The report also recommended that employment arrangement for musicians be altered to allow more flexibility with rostering, dealing with the proficiency of musicians and superannuation arrangements.

Perhaps the most controversial recommendation, however, was over the size and structure of some of the orchestras. The review found that three orchestras in particular had suffered severe financial stress since corporatisation and combined had accumulated deficits of over \$5 million in 2004. The reasons given for their poor financial performance were different in each case, but essentially they were not able to cover their costs adequately given the restraints on their ability to earn income. Financial projections to 2010 indicated the accumulated deficit attributed to these orchestras would grow to around \$20 million. The report concluded that 'major financial challenges lie ahead of most orchestras unless costs can be brought more closely into line with achievable revenue levels' (DCITA 2005, pp. 52-53).

To this end the report recommended that three of the symphony orchestras should reduce the size of their permanent ensembles. The recommended changes related to the QO, ASO and TSO, and were as follows:

- Queensland Orchestra – reduce from quadruple wind ensemble of 89 musicians to a triple wind ensemble of approximately 74 musicians;
- Adelaide Symphony Orchestra – reduce from a triple wind ensemble of 74 players to a double wind ensemble of approximately 56 full-time musicians; and
- Tasmanian Symphony Orchestra – reduce from a symphony orchestra of 47 players to a small double wind orchestra of approximately 38 full-time musicians.

The report also recommended that one-off payments to each of these orchestras be made, ranging from \$1.1 million to \$1.3 million, to meet redundancy costs, subject to their agreeing to the recommendation (DCITA 2005, p. 7). The rationale for this recommendation was that significant costs could be saved in full-time salaries and that some of the savings could then be used to employ casual musicians on an as needs basis.

The remaining three orchestras (SSO, MSO and WASO) would be allowed to remain at existing strengths. While it was recognised that Melbourne and Sydney were financially able to sustain their existing structures, the case of the Western Australian Symphony Orchestra was not so clear. In defending their decision not to recommend similar cuts to the Western Australian orchestra, the report stated that due to the 'relatively small pool of casual musicians in Perth and the high costs of bringing musicians from other states to augment the size of the orchestra', cuts would be financially 'self-defeating' (DCITA 2005, p. 90).

The financial analysis undertaken by the review showed that the reduction in permanent workers, offset by the addition of casual musicians as required, would have saved the three orchestras around \$1.5 million per annum, given the same level of activity and income. One of the main flaws in the report however was the assumption that changing the structure of the three orchestras in question by reducing the permanent workforce by up to 25 per cent would not affect future activity levels and potential income generation, 'in the first instance' (DCITA 2005, p. 84).

The report itself acknowledged the link between programming, repertoire choice and income generation. For example the report noted in relation to box-office income that audience numbers are affected by many factors including 'repertoire and choice of programming [and] public perceptions of artistic quality' (DCITA 2005, p. 26). The report also acknowledged at a later stage that reductions in size of these ensembles would impact over time on the repertoire choice and programming and that a greater reliance on casual musicians may 'run the risk of damaging artistic standards' (DCITA 2005, p. 84).

Given these statements, it can be assumed that reducing the permanent ensemble and moving to a greater reliance on casual staff would have a negative impact upon both the choice of repertoire and the overall quality of the ensemble playing, as well as negatively affecting potential income generation through box-office takings. In addition, the move to a greater reliance on casual musicians may also negatively affect productivity if more rehearsal time is required to bring works up to performance standards, thus limiting the number of calls available for performance.

Finally no account was taken of the potential effects of this structure on player morale and aspects of occupational safety. For example, many orchestras employ additional brass and woodwind players as these positions are highly stressful and require great concentration and expertise. To alleviate this burden, soloist parts are often spread among players in the section and the use of 'bump' players to assist principals is widespread. The reduction in support for lead players through a reduction in wind and brass players may lead to increased stress and injury as soloist chairs are forced to perform more often than currently required.

Interestingly the recommendation to reduce the three orchestras' permanent ensembles became a political issue with accusations that the BAPH States were being penalised through reductions in their orchestras. Ministers and political figures in the three States in question began a campaign to have this recommendation removed and were ultimately successful. An agreement was reached by the Federal and State governments to increase base funding to these orchestras (against the parameters originally set for the inquiry) to allow the three orchestras to maintain their existing ensemble sizes.

The recommendations in regard to creating fully independent companies for each orchestra and removing them from the ABC completely were agreed to and each orchestra is currently in the process of achieving this aim. It remains to be seen whether the recommendations in regard to employment and work practices, such as more flexibility in call rostering, are achieved, as each orchestra negotiates new enterprise agreements with their musicians in the future.

3.6 Summary and Conclusions

When looking at the various early reviews undertaken of the ABC and its orchestras a number of common threads in relation to management issues can be grouped under the themes of stakeholder satisfaction, musician satisfaction and management implications.

Stakeholder satisfaction

- Decline of audience
- Lack of penetration in the community
- Lack of earned income
- Inconsistent programming for schools concerts
- Lack of constructive response from Federal Office
- Lack of ability to undertake non-ABC activity

Musician satisfaction

- Lack of attractiveness of career
- Quality of playing
- Quality of conductors
- High turnover of musicians
- Low player security
- Over-use of orchestra in the studio
- General utilisation of time
- Lack of permanent recordings made

Management implications

- Centralised control of Federal Office
- Lack of skills in marketing
- Lack of expertise in orchestral management
- Lack of cost efficiencies in a centralised model

Many of the above issues have stemmed from the development over time from radio broadcasting units into independent concert orchestras. While the original rationale for creating these orchestras was to provide quality music for broadcast, over time they developed independent concert activities for the general public.

The combination of broadcasting and concert work was not compatible as the primary goal of broadcasting affected the ability of each orchestra to adequately develop its concert activities. The core business of the ABC was not public performance and they did not appear to have the necessary resources or capabilities to manage and market this aspect of the orchestras' activities. As the orchestras became more focussed on live performance the questions surrounding the ownership and management of them within the ABC continued to grow. To enable each orchestra to dedicate its own resources to this aspect of activity it was ultimately agreed that a new structure was required if they were to fulfil the requirements of their local communities.

By the mid 1990s the symphony orchestras had been turned into wholly owned subsidiaries of the ABC. Each orchestra now had a board of management and received its funding, not from the ABC, but from the Australia Council, through the Major Performing Arts Board, as well as from their respective State and municipal government bodies. At this point the Australian orchestras had become much more aligned to international models, noting their reliance on government support as opposed to philanthropic support.

The latest government sponsored report focussed on financial viability and the sustainability of the orchestras given the current funding and ownership structures. Recommendations included allowing each orchestra to become fully independent public companies and additional government funding, at least in the short term, to put them on a more stable financial footing. This report stated, in part, that:

'...the process by which the orchestras were established as subsidiary companies of the ABC should be seen as an intermediate step in their longer-term transition to full independence' (DCITA 2005, p. 55).

In the current context it should be noted that preservation and continued development of the symphonic tradition is important to the symphony orchestra world as a whole, yet continued development is essential to ensure relevance to contemporary society and to develop new audiences. Currently, many halls remain unfilled and therefore the ability to cover costs on a 'user pay' model is

reduced. Australia doesn't have a culture of philanthropic giving and as a result, this contribution is undertaken on behalf of the public by government. As a result the *raison d'être* of government funding (public good) needs to be taken into account in any study of Australian performing arts. Government funding was increased as a result of the *Strong Report* and remains a significant component of the revenue mix for the orchestras.

This additional funding has allowed all orchestras to maintain their full-time complement of musicians. The ability for orchestras to employ full-time ensembles is important to allow the continued development of the ensemble. This allows each orchestra to develop a distinct sound, which may take their product out of their local region as other markets seek to experience their unique product. It may be that Australian orchestras need to develop a uniquely Australian sound or concept of orchestral playing, indeed that may already be the case to a certain extent.

The financial status of orchestras directly affects the quality of musicians, conductors and soloists an orchestra is able to attract. Now that they are separate organisations, each ABC orchestra is free to pursue individual artists as part of their programming. Those more able to afford bigger names may be able to attract larger audiences and possibly charge higher ticket prices. However there have been instances where orchestras have had difficulty in attracting artists of sufficient calibre. For example, the Adelaide Symphony Orchestra (ASO) was not able to fill the vacant principal conductor (Chief Conductor, or in the case of the ASO, Music Director) position for four years, as they were unable to attract a conductor of sufficient standard that they could afford. Others have been attempting to attract potential overseas 'star' violinists to take the role of Concertmaster, with little success. Key artistic positions such as Concertmaster and Chief Conductor help to build a reputation amongst peers and the community in general which will be vital for any orchestra to broaden its market outside its own urban region.

The final factor that must be taken into account is the musicians themselves. There has been very little attention paid to the individual musicians within the orchestras in any of the reviews undertaken. When studying orchestral activity a

number of underlying questions around the work undertaken by these musicians arise. Why did they become musicians? What made them give up a major part of their lives to perfect this particular art form? What are they trying to achieve from their involvement in this process? It is important to consider the musicians themselves as customers, or consumers, of the music as well as the audience and any recommendations about the future directions and changes in the way orchestras operate must take into account the needs of this group. These issues will be taken up further in a later chapter of this thesis.

While the corporatised model was finally adopted for all ABC orchestra, there are a number of alternative models that could have been chosen. The following chapter reviews these various options and discusses the implications for an orchestra on choosing each one.

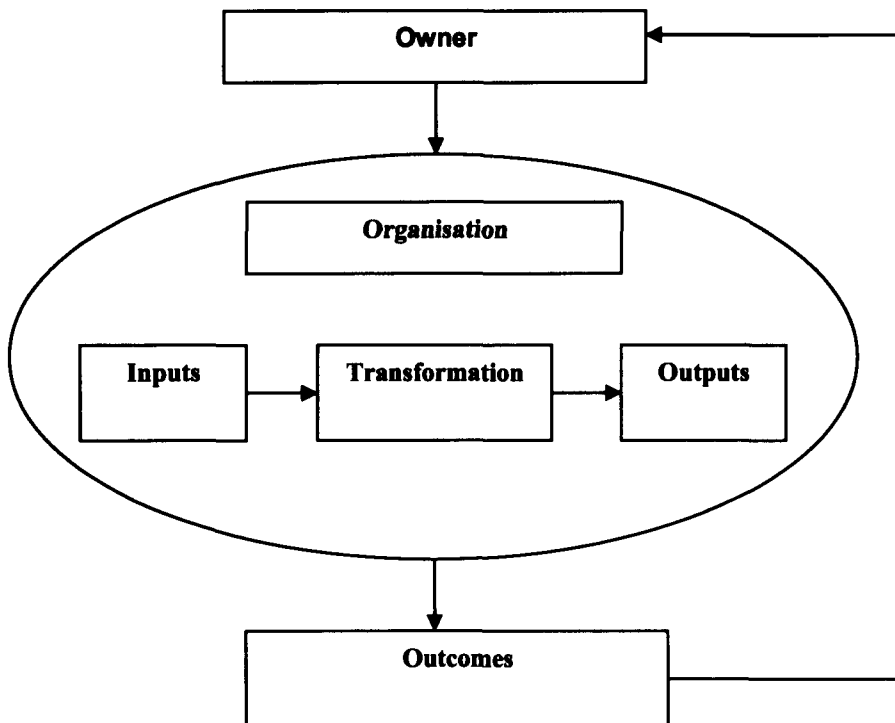
CHAPTER 4

ALTERNATIVE ORGANISATIONAL STRUCTURES

4.1 Introduction

Figure 4.1 portrays a simple organisational model where inputs are transformed into outputs within a particular organisational structure, a process that must then lead to achievement of designated outcomes, as agreed by the owners or stakeholders. This chapter will apply this simple model to a symphony orchestra to discuss how different organisational structures and ownership options might influence each of the components of the model. In other words will different ownership and structural options influence the decisions made by management about inputs and outputs, the way the transformation process occurs or the type of outcomes achieved for a symphony orchestra? To help answer this question, four principal types of organisational ownership will be discussed, with minor variations bringing the total number of options to six. First an orchestra can be a government agency at either State or Federal level. Secondly it can be a nonprofit company either owned by a society of members or the musicians themselves. Thirdly an orchestra could be a privately-owned profit-making venture. Finally a hybrid option is explored, where government retains ownership, but through the corporatisation process creates an independent entity along the lines of a nonprofit organisation. Each of these options has implications in regard to the types of activities undertaken and the choices made in of levels of inputs and outputs. These choices are, of course, governed by the different objectives and outcomes desired by the owners and stakeholders.

Figure 4.1 Simple Organisational Models



4.2 Model options

In the year 1996 the ABC and the Federal and State governments faced a difficult decision. Among all the possible alternative organisational forms for the orchestras, which would be the most appropriate? In this chapter we discuss the six identified models applicable to the Australian orchestras to determine how decision-makers in 1996 might have evaluated the various options available. We look at the effects different ownership arrangements might be expected to have on the organisational components depicted in **Figure 4.1**. To discuss the effects of a change in structure one must first understand the existing structure and use this as a basis for exploring what changes would be expected if a change in ownership were to occur. Thus the first model to be examined below is the structure as it existed prior to corporatisation. The other five models are:

- State government authority
- Nonprofit membership-based organisation
- Player-owned co-operative
- Privately owned commercial organisation
- A hybrid model: a subsidiary nonprofit firm

4.2.1 Federally-based Institutional Structure

This model involves a single institutional structure within which all orchestras are contained. It was the model applicable to the Australian orchestras prior to corporatisation, and its continuation (i.e. maintaining the status quo) was regarded as one of the options available to decision-makers in 1996. The characteristics of this model are as follows:

Organisation

The owner in this case is the ABC and the management structure is centralised and institutional in nature. The orchestras are part of a single division within the larger organisation and all personnel are employed by the owner. The overarching objectives of the parent organisation, being a national free-to-air broadcasting agency, are weighted heavily towards broadcasting activities and as a result objectives for the orchestras that might be considered important in a classical musical ensemble, such as artistic and audience development, are not demonstrated clearly in this model.

Inputs

Inputs are controlled by the larger corporation and centrally managed. The financial investment comes predominantly from a single Federal government subsidy to the ABC as a whole, which then apportions various amounts to the divisions under its control as it sees fit. Both the national focus and non-commercial status of the parent organisation affect its ability to attract additional funding from either State government authorities or commercial activity. Musicians and management are employed by the ABC on a national basis. Management is perceived to lack specific skills in orchestral management, in particular the marketing of live performances and the management of relationships with stakeholders outside the ABC (e.g., sponsors and subscribers). The use of guest artists and conductors is decided through the national coordination of the programming function within the Concert Music Division. The choice of music to perform is also controlled centrally and other production inputs are minimal as much of the work undertaken by the orchestras occurs in the studio for recording purposes. There is less emphasis on public performances in this model, so concert venue use is low.

Transformation Process

The basic transformation process of any symphony orchestra consists of the musicians, conductor and soloists working together for a period of time in rehearsal. This rehearsal process does not differ much between orchestras except in the amount of time given to it. Time allocated to the activity is driven in part by the quality of musicians, the repertoire being performed and available time. At the conclusion of the rehearsal period it is expected that the works are of an adequate performance standard. At this point the works are either performed live in a venue or recorded for subsequent broadcast or release as a commercial recording. With a broadcasting based orchestra, it is expected that live performances are infrequent, giving more time for rehearsal and recording activity.

Outputs

The outputs are standardised across the entire network of orchestras to include live-to-air broadcasts, studio recordings for later broadcast, and concert performances. The development of an individual orchestra's strengths and repertoire is not seen as a high priority, nor is the programming reflective of individual market needs. There is inefficient use of orchestral resources with 'spare' call time being filled with studio recording work for broadcasts, and limited utilisation of the orchestras for commercial hire work or providing musical support for external companies, such as opera or ballet.

Outcomes

There are economies of scale and scope in this model as the national network of orchestras can use their combined interests to attract a wider variety of guest artists and conductors to perform with more than one orchestra. In this way, the initial costs of bringing in international acts can be spread across more performances and orchestras. Smaller orchestras benefit in this respect as they are able to use artists that they might not otherwise be able to attract or afford.

However this structure can lead to less than satisfactory outcomes as identified in the various reports outlined in the previous chapter. Declining audiences for the live performances, low financial returns from concerts, poor use of orchestral resources both within and outside the ABC and low player morale and satisfaction were all indicated as major issues under the existing structure. Many of these

factors were signalled as contributing to an overall lack of artistic development and declining quality when compared to other professional symphony orchestras internationally, reflecting poorly on the reputation and image of the orchestras.

As stated before, if the outcomes are not satisfactory, then changes in the system itself are required. However, under the Federally-based Institutional ownership structure there is little room to implement change. In particular the objectives of the orchestras are tied to the parent organisation's objectives with little room for individual orchestras to generate and develop their own objectives. In addition, as a government-owned provider of television and radio broadcasting services, the ABC is not allowed to generate income from commercial activities including fee-for-service and sponsorship, and State governments are not inclined to contribute financially to what is seen as a Federal responsibility. While live performances may attract earned income from ticket sales, this is not seen as a major financial contributor, and there appears little expertise in the marketing of revenue generating activities such as public concerts. Finally, the work practices, selection of repertoire and scheduling of performances and studio based recordings have been developed to service the needs of the ABC, not other stakeholders (both current and potential) such as individual market place audiences, the musicians or other arts organisations (e.g. ballet and opera companies). The structure and ownership of the orchestras has placed significant restraints on their operations and development has been stifled, leading to a lack of stakeholder satisfaction.

4.2.2 State Government Authority

Organisation

In this model the individual orchestras would be devolved to State government ownership. Each State would then take greater control and responsibility for its own orchestra with ownership transferring from Federal to State governments. Such an option would require each State to create a government authority through an Act of Parliament or other appropriate mechanism.

Inputs

Financial inputs would now become predominantly a State responsibility, possibly through existing arts agency funding programs, so State funding would increase under this model. Federal funding may however reduce over time as the

orchestras would be seen as the responsibility of the States. With a move to State government ownership there may still be little to attract private or corporate financial support; sponsors and donors would not be impelled to contribute financially to an organisation that is still perceived as a government responsibility, so it is expected that little change in this area would be evident.

Each orchestra would however create its own dedicated management team, and the team together with the musicians forming the orchestra would all be employed by the State government. Other labour inputs such as guest artists and conductors would now be contracted on an individual basis by each orchestra. It would be expected that the more financially secure orchestras or those operating within larger markets would be able to attract a higher calibre of artists. This would negatively affect those orchestras operating in smaller markets if they are not able to afford the fees being offered by the larger orchestras. Production costs would rise as more focus would be given to public performances, resulting in increases in venue hire and marketing costs. The choice of repertoire would now be influenced by market tastes, the desires of individually contracted artists and conductors, and individual orchestral strengths. As a result, there would be a broadening of repertoire choice across the orchestras.

Transformation Process

The rehearsal time would now be at a premium as more time is needed for live concert work. As each orchestra would now use a variety of conductors, soloists and repertoire, the rehearsal phase would become more intense as the orchestras would need to adapt to changes in performance requirements on a more regular basis and in a shorter time frame. Musicians may report an increase in workload as a result of changes to the rehearsal process.

Outputs

It would be expected that there would be greater differentiation between orchestras in relation to the types of concerts and repertoire performed than with the Federally-based institutional model. The activities of an individual orchestra would become a mix of its own goals, local audience needs and State government objectives, rather than an overarching rationale provided by the parent entity. This would allow each orchestra to build on its own strengths and begin to develop

individual artistic characters and reputations. With the focus now on providing live classical music performances for the people of the State, it would be expected that there would be a reduction in recording activities for broadcast and retail sale. In fact there may be little room for any entrepreneurial activity, especially where there is no direct link between the activity and the State-based objectives. National and international touring may also be limited for the same reason.

Outcomes

As a State-owned organisation, the primary stakeholder would be the State with little power or influence from other interested parties including audiences and musicians. There also seems little in this model to suggest that there would be an improvement in efficiency from an individual orchestral perspective, although some orchestras may be required to support other State-owned arts organisations such as opera and dance companies as part of individual funding agreements. This lack of efficiency gain would be compounded by the loss of scale present in the national network of the Institutional structure. However there appears to be greater flexibility for individual orchestras to pursue their own artistic goals so an increase in individual artistic reputation and image would become evident.

4.2.3 Nonprofit Membership-based Organisation

Organisation

In this model, ownership of the orchestras would be transferred to separate groups of interested people and individual firms would be set up as nonprofit entities to manage them. Each group would form a membership base for the organisation, from which a Board of Management would be developed. This model is aligned with the US example of the board led not-for-profit organisation. It would be expected that this model would allow for greater management autonomy and individual artistic activity for each orchestra, as they would now be separate entities.

The objectives of the organisation would be developed to balance the interests of the membership base and other key stakeholders including, but not limited to, the musicians, key funding bodies, and major supporter groups (e.g., the ABC, sponsors and subscribers). It would be expected that a clear mission would be

developed for each orchestra to encapsulate these objectives and drive the activities of the nonprofit organisation.

Inputs

Each orchestra would now be free to attract financial assistance from a variety of sources such as Federal, State and local government bodies, corporate sponsors and major donors, as well as developing earned income through an increased focus on concert sales and commercial activity. It would be expected that one would see a broadening of income sources in an orchestra's financial statements as each orchestra would become free to pursue any funding opportunities open to them. However the successful attraction of grants would now be on a more competitive basis and this could negatively affect those in States with smaller populations or less generous funding profiles.

Musicians and management would be employed by the nonprofit organisation and each would be able to attract appropriate levels of expertise as allowed by its resource limitations in individual cases. Each orchestra would find greater freedom in developing its own artistic vision and would be free to engage guest artists and conductors in its own right. This would become evident in the programming of each season through greater variation between orchestras. However, as with the previous model, the lack of a national network may negatively impact on the orchestras operating in smaller markets which may not be able to afford to make individual contracts with key international artists. If this was the case, it would be expected that the smaller orchestras would experience a lower calibre of guest artists than before.

Again, in this model, there would be a greater emphasis on marketing to attract audiences and production costs would rise as more concert performances are undertaken. Repertoire choices as in the above example would be influenced by markets, artists' preference and orchestral strengths, creating more diverse programming between orchestras.

Transformation Process

Like the State-based independent model, this model would see the rehearsal time come under increasing pressure due to the need to undertake more live concert

work. As each orchestra would now use a variety of conductors, soloists and repertoire, the rehearsal phase would become more intense as the orchestras would need to adapt to changes in performance requirements on a more regular basis. It is expected that the musicians may report an increased workload as a result.

Outputs

The orchestras would need to become more attuned to their markets as they would be reliant on a mixed revenue base with increasing levels of earned income, and therefore it is expected that a greater range of concert types and repertoire performed in response to different market needs, would become evident. This model would also allow each orchestra to take advantage of commercial opportunities as it sees fit and take a more entrepreneurial approach to planning its activities. In addition each orchestra would be free to pursue collaborations with other arts organisations in accordance with its overall mission, outside those tied to funding agreements. Combining these points, it is expected that under this model one would see an increase in commercial activities being undertaken by the orchestras.

Outcomes

While the notion of efficiency is not clear in this example, the nonprofit organisation would need to at least contain costs to achieve a financial break-even position. The organisation would need to deal with multiple stakeholders all with some level of power and influence over its activities. These stakeholders would include the members of the nonprofit entity, funding bodies of all levels, sponsors, audiences and the musicians. Each of these stakeholders would have different goals and objectives that would need to be satisfied. The composition of the Board of Management would reflect this with representation coming from across the spectrum of stakeholders. The nonprofit status of the organisation would see the achievement of its mission as its overall objective, positively influencing artistic decision-making in regard to choice of repertoire and performance activity, and therefore it is expected that this model will promote an improvement in overall artistic quality and in turn, image.

With greater player input into the management of the orchestra there would be greater alignment between the professional identity of the musicians and the identity of the organisation, potentially resulting in improved player morale and satisfaction.

4.2.4 Player Owned Co-operative

Organisation

This option is similar to those found in some United Kingdom and German orchestras where the owners of the organisation are the players themselves. While similar to the nonprofit membership-based model in most respects, it has the distinct component of musician ownership. The Board of Management in this case would now be derived directly from the orchestral membership.

Inputs

In this model funding would be available through normal Federal, State and local government mechanisms and each orchestra would be free to attract funding based on its own abilities. Each orchestra would be open to commercial sponsorship and there would also be philanthropic support opportunities. As a result it is expected that an increase in the diversity of funding and income sources would become evident in each orchestra's financial statements.

The musicians would be part owners of the organisation and would be paid a salary based on their participation in the organisation's activities. This arrangement may limit the attractiveness to potential musicians as it may not provide secure employment arrangements. Those orchestras in larger markets or with greater financial resources would be able to attract better quality players as they would be able to pay higher salaries and/or offer a more secure employment arrangement. Each orchestra would be free to contract individual guest artists and conductors, as it was able. These two factors combined would increase the overall artistic quality of larger and more financially secure orchestras, while potentially having a negative effect on the smaller orchestras.

Repertoire choice would be made on the strengths of the individual orchestra's capabilities and skill. Some consideration may be given to market influences, but the fulfilment of the artistic mission would be paramount as artistic decisions

would be heavily influenced by the musicians as owners. It is expected that the repertoire choices made would reflect this desire and one would see a greater proportion of works dedicated to furthering the artform being chosen over popular repertoire. This may also be reflected in an observed increase in commissions and premieres.

Transformation Process

This area may be difficult to balance as it is expected that the musicians as owners would want to spend as much time on rehearsal as possible, to bring works to the highest artistic standard. At the same time though, commercial practicalities would force the management to undertake as much performance work as feasible, as effectively unless the orchestra is performing, the musicians would not get paid. This dichotomy would place pressure on the artistic desires and financial realities for the organisation, which could negatively influence the perceptions of management held by the musicians and effectively lower morale within the ensemble.

Outputs

A primary goal of this organisation would be building a reputation as a great orchestra, therefore it is expected that outputs would be planned so as to provide maximum contribution to the development of the art form and the quality of the orchestra. It is expected that greater importance would be placed on activities such as working with great conductors and soloists, performing the very best repertoire, commissioning new works and allowing for significant amounts of rehearsal time. Outputs would predominantly include live performances as well as the production of permanent recordings, both of which would contribute to the artistic development of the genre. At the same time it is expected that there would be little commercial work undertaken as it would not be seen as central to the artistic mission.

Outcomes

Ownership in this model would be controlled by the orchestral membership, which would imply that the goals and objectives inherent in the organisation's mission would reflect most closely the goals and objectives of the musicians themselves. Therefore it is expected that this model would demonstrate strong

links between the organisational image and identity and the professional identity and morale of the musicians.

This model may have implications for management, however, as they grapple with managing an orchestra of musicians who would also be the owners of the entity. Attracting appropriate management expertise from outside the organisation may prove difficult, which may in turn impact on the organisation's ability to attract funding from government agencies as well as commercial sponsors, making financial outcomes difficult to attain.

4.2.5 Privately Owned Commercial Organisation

Organisation

This model is based on a fully-privatised commercial company with a single owner or group of owners. The objectives of this type of organisation would be to maximise profits. This could be achieved through a variety of methods including reducing costs of inputs, increasing productivity, and the production of a more commercially viable product with the widest audience appeal.

Inputs

Non-box-office financial support would now come predominantly from investors and commercial sponsorship agreements. There would be limited opportunity to attract funding from government or philanthropic providers resulting in reductions in these funding sources in financial statements. It is expected that labour inputs would be minimised to reduce costs which would result in a reduction in the number of musicians employed. More investment may be made however in 'blockbuster' guest artists with greater audience appeal and marketability, and therefore greater financial returns, so it is expected that costs in this area would increase.

Music would be chosen on the basis of audience appeal and ease of producing an acceptable quality performance. It is expected that well-known works would dominate the repertoire and there would be no commissions or works chosen on artistic merit alone. Other production costs would rise considerably as the organisation would adopt a market orientation and rely on larger venues,

increased number of concerts and large marketing budgets, to attract a larger or broader audience base.

Transformation Process

In this model it is likely that the rehearsal phase would be de-emphasised to a greater extent than under any other model. The sooner a work can be brought to the minimum level of acceptable performance standard the better as a rehearsal call would be seen as a lost revenue opportunity. What constitutes an 'acceptable performance standard' however, may be open to some debate. What is considered acceptable by an average person (such as a casual audience member) may not be deemed acceptable by someone considered an expert (such as an orchestral musician or critic). It is to be expected that this would result in a lowering of musicians' morale, as tension is created between their notion of professional identity and the organisations' activities being undertaken.

Outputs

The output of the orchestra would be heavily influenced by the financial attractiveness of a particular activity and this would result in an increase in the more profitable activities such as popular concert performances and commercial fee-for-service engagements. At the same time less profitable activities such as commercial recordings and commissioning of new works would reduce. A standardisation of the repertoire would become evident as each orchestra would rely on the standard and most popular repertoire to minimise any risks at the box-office.

Outcomes

The primary outcome in this case would be profit maximisation. To increase profit, it would be necessary to increase production efficiency, and the orchestra would be driven to increase performance output at the expense of rehearsal time. In this model it is expected that the greatest efficiencies would be found as a strong business-oriented management team would focus primarily on financial outcomes. However the product now has the potential for exploitation, as the entity seeks to increase market share and attract larger paying audiences. Objectives that do not produce financial benefits to the organisation would no

longer be deemed viable, in turn potentially affecting both quality (as defined by musical experts) and the quantity of supply of artistically driven performances.

The single stakeholder would be the owner and outcomes would be measured against profit forecasts. As a result there would be minimal input from other interested parties including the musicians themselves, which may result in a lowering of player morale. With no financial contribution coming from government sources, State or Federal agencies would not be able to service their constituents by influencing activity or output. In addition, there would be little incentive for the orchestras to enter into service agreements with the ABC unless a direct financial benefit could be realised.

This model while producing the greatest efficiencies may not be able to sustain its activities in the long run. It is expected that any reduction in rehearsal time and the narrowing of performance repertoire and activities to only those most financially acceptable to the market place would negatively affect both the quality and quantity of the existing categories of output. This would in turn affect the reputation of the orchestra and the artistic development of a strong repertoire. A poor artistic reputation would also create tension with the professional identity of the musicians, negatively influencing the musicians' morale and commitment.

4.2.6 A Hybrid Model: Subsidiary Nonprofit Firm

Organisation

In this model the ABC would retain ownership of the orchestras but devolve each ensemble and their respective management teams to become autonomous entities as subsidiary companies. The orchestras would become independent of the parent organisation and have the capacity to build their own unique local identities. It is expected that independence from the parent corporation would remove a number of obstacles that have hindered the development of the individual orchestras. This is the model that was put into effect in the mid 1990s corporatisation process and now applies to all of the Australian orchestras.

Boards of management for each orchestra would be created to reflect the broader stakeholder base now in place. Representation would include the owner as well as key stakeholders such as Federal and State funding agencies, sponsors,

subscribers and musicians. The objectives of the new entities, while still reflecting the objectives of the parent company, would also contain reference to the needs of these broader stakeholder groups as they now have the opportunity to exert some influence over the organisations' operations.

Inputs

It is expected that financial input from the Federal government would be maintained although it would be redirected from the ABC and allocated directly to the orchestras. At the same time, it is expected that State government funding would increase as this option would provide greater impetus for State commitment as each orchestra would become directly responsible to its local environment. The corporate status of the orchestra would also allow each to pursue financial contributions from other parties such as corporate sponsors and donors and expected increases in these areas would become evident.

Management and the musicians in this example would no longer be employed by the parent company but the individual subsidiary companies. Each orchestra could then work to attract both managers and musicians to suit the needs of the individual organisations. As each orchestra would now individually plan its own activities, they may attract different types of guest artists and conductors. At this point a greater diversity in the character of each orchestra would become evident. There would be an increase in the variety of conductors and artists who are contracted and the size and calibre of each orchestra and it is expected that costs in these areas would rise as a result. Repertoire would now be chosen that best reflects the local market and also builds on the artistic strengths of each individual orchestra. It is expected that production costs would increase in line with a greater emphasis on live performances and marketing to attract paying customers. As a result of these factors, one would expect to see each orchestra develop a strong individual profile and reputation.

Transformation Process

In this model it is expected that there would be a significant level of rehearsal and development activity to balance the objectives of artistic development and commercial viability. As artistic reputation is important in this model, works would need to be of a high standard for performance, so one would expect that

adequate rehearsal time would be planned into the program of activities. While it is expected that performance levels would increase, down time previously used for studio recording work, could now be utilised more effectively to ensure rehearsal time is not negatively affected.

Outputs

Like the nonprofit examples described earlier, the orchestras would now be in a position to undertake the development of a unique repertoire and they would program activities to suit their unique situation. As a result a greater diversification of repertoire performed and activities undertaken would become evident between orchestras. Outputs of the orchestra would be focused on live performance but with the ABC interests still in a position of importance, it is expected that there would still be significant broadcasting activity. The orchestras would also be in a better position to undertake entrepreneurial activity and attract commercial work, as their operations are no longer directly affected by the commercial restrictions of the ABC. In this scenario one would expect to see significant increases in earned income in the orchestras' financial statements.

Outcomes

Overall, it is expected that changes to devolve the orchestras to autonomous entities would encourage greater artistic development as each ensemble would pursue its own identity and build on its strengths. Individual reputations and identities would begin to develop and this, along with positive changes to repertoire choices made, would enhance musician satisfaction and strengthen the individual organisational identities.

The increased financial commitment from additional stakeholders such as State governments and corporate sponsors, as well as increases in commercial and entrepreneurial activity, would enhance the organisation's ability to achieve its desired financial outcomes. At the same time, there would still be a mechanism in this model to facilitate economies of scale through the network arrangement that existed previously. As all orchestras would still be owned by the ABC, contracting guest artists and conductors could continue to be organised on a national basis to include concert programs across a number of orchestras. This

would see programming across orchestras remaining reasonably consistent as artists continue to perform with more than one orchestra in a season.

4.3 Comparison and Discussion

As stated earlier, in 1996 the decision-makers involved in reviewing the ownership arrangements for the ABC orchestras were required to make a decision about how the orchestras would be owned and operated in the future. This chapter has reviewed different ownership and structural options that exist in different contexts for orchestras including the original structure of a Federally-based institutional model, a State-owned statutory authority, a nonprofit membership base, a player-ownership, a private commercial firm and the nonprofit subsidiary firm. Each option was reviewed in relation to organisation, inputs, outputs and outcomes, assessing what changes would be observed in each of these areas, under the different ownership and structural examples. **Table 4.1** summarises the various inputs, outputs and outcomes that might be observed under the different conditions of each structural option. For each of the alternatives to the ‘existing structure’ (Option 1 in the table) the outcomes predicted under each alternative model are described in terms of comparisons with the ‘existing structure’.

Table 4.1: Summary of key predicted observations under different structural options

	Inputs	Transformation	Outputs	Outcomes
ABC Institution (existing structure prior to corporatisation)	Federal government funding. Little other funding. Centrally controlled musicians / artists / repertoire.	Significant time spent in studio rehearsing and recording works	Broadcasts. Concerts. No commercial work.	Low audiences and links to community. Low earned revenue costs.
State Government Authority	Increased State funding. Lower Federal funding Independent choice on musicians / artists / repertoire.	Rehearsal time reduced and under pressure due to increased variation in programming	Increase in concerts. Decrease in broadcasts. Little commercial work.	Increase in attendances and links with community. Increase in earned revenue.
Nonprofit Membership	Mixed financial support from funding, donations, sponsorship. Independent choice on musicians / artists / repertoire.	Rehearsal time reduced and under pressure due to increased variation in programming	Increase in concerts. Increase in commercial work. Some broadcasts.	Increase in attendances and links with community. Increase in earned revenue. Strong professional identity

Nonprofit Player Owned	Mixed financial support from funding, donations, sponsorship. Independent choice on musicians / artists / repertoire.	Pressure develops between the desire to spend significant time in rehearsal and the need to perform to earn revenue.	Increase in concerts. Increase in recordings. Some commercial work and broadcasts.	Great reputation. Artistic excellence. Working with great conductors. Strong professional identity.
Private Commercial	No government funding. No donations. Funding by investment and sponsorship. Choice of musicians / repertoire / artists based on commercial factors.	Limited rehearsal time. The works need only be at a minimum acceptable standard for performance	Increase in concert performances. Use of large scale venues. Commercial work. Few broadcasts.	Smaller orchestras. Increase in size and breadth of audiences. Low links to community and profession. Profit maximisation – high revenue.
Nonprofit Subsidiary Firm (actual structure post- corporatisation)	Federal funding maintained. Increase in State funding, donations and sponsorship. Independent choice on musicians / artists / repertoire. Some consistency in programming.	Rehearsal time should continue as studio work is replaced with live concert opportunities.	Increase in concerts. Move to live broadcast. Some commercial work and performing with other arts organisations	Increase in performances and attendances. Increase in links with community. Increase in earned revenue.

It is suggested that, in general, a change from the existing organisational form to any other form in 1996 could have been expected to result in the following observations, to a greater or lesser degree:

- a change in the funding mix received from different levels of government;
- a change in other revenue received via donations, sponsorship, etc.;
- increase in revenue raised through box-office;
- increase in production costs;
- increase in audiences and concerts performed;
- a change in repertoire performed and artists engaged;
- a change in musicians' morale through links between professional identity and the organisation; and
- a change in organisational image through links with the community.

In addition the choice of structure would be expected to influence the characteristics of the different identified outcomes:

- community focussed goals (a priority for government owned and community owned options);
- artistically focussed goals (a priority for the player owned option); and
- financially focussed goals (a priority for the private commercial option).

The decision-makers in 1996 included representatives of the Federal government, the State governments, the ABC and the orchestras themselves. It can be assumed that each party would have had particular goals and objectives in mind when working through the various options open to them. One option was to maintain the status-quo and leave the orchestras within the institutional structure of the ABC. However it was evident that this model contained limitations in regard to community and artistically focussed goals as well as financial expectations. In particular there was little ability for each orchestra to develop individual identities and links with their communities, which in turn resulted in low audience figures and low revenue generation. Therefore it was not considered a viable option for the orchestras.

Each of the alternative options provided the autonomy sought for each orchestra in the Australian context, where autonomy implies the ability to program their own repertoire and concert seasons, attract guest artists and conductors and undertake entrepreneurial activity. However the private commercial model would not have been able to deliver any guarantees to government that appropriate levels of artistic product of sufficient quality would be provided to the communities of each city. It is also unlikely that the government would have been able to find 'a buyer' for the orchestras as there is little evidence that they could become profit-making ventures. The nonprofit models on the other hand would be more appropriate for ensuring delivery of government and community objectives and would have been able to provide a sound basis for development of the artform.

There are other key factors that would have also been considered when evaluating each option. In particular the maintenance of Federal funding would have been a priority for the orchestras. At the same time it can be assumed that the Federal government would have been keen to secure significant increases in State funding for the orchestras. The ABC would have been a significant interested party in the future of the orchestras as it still relied on the orchestras for a considerable

amount of content for its concert broadcasting programs. Also it can be assumed that the existing national network's ability to contract international artists to perform with more than one orchestra would have been considered an important asset to maintain, particularly by the smaller orchestras.

If one takes each of these factors into account it is reasonable to concur with decision-makers at the time in choosing the corporatised subsidiary model as the most appropriate. The nonprofit subsidiary model would provide each orchestra with artistic autonomy, a guarantee of continued Federal funding, an incentive for State governments to increase their funding, the ability to seek sponsorship and other commercial arrangements, and access to the ABC network for broadcasting opportunities and contracting of guest artists and conductors. It should also be considered that corporatising the orchestras may also have been the simplest option to choose. In response to the many reviews undertaken into the orchestras discussed in the previous chapter, the ABC was strongly opposed to any form of autonomisation for the orchestras and displayed no desire to lose the orchestras completely. One can assume that the subsidiary model could have been seen as the least offensive to the ABC as under this model they would still retain ownership of their orchestras.

4.4 Summary and Conclusion

The production of a symphony orchestra concert is relatively stable, with little impact in the way of technological change. However there are still many variables that can be manipulated by management, which relate to inputs (repertoire choice, number of musicians employed), the transformation process (time allocation of rehearsals), and output (the number and type of concerts programmed). These variables also affect decisions around venue choice, the number of repeat performances to be programmed and the choice of guest artists. The three phases of the process outlined above (inputs, transformation and outputs) all contribute to the overall achievement of designated outcomes, including stakeholder satisfaction and revenue targets. If the outcomes being achieved are not consistent with those desired, then changes need to be made within the process.

In the case of the Australian orchestras many stakeholders outside the ABC did not perceive that the orchestras were able to successfully achieve the outcomes that they desired. In particular the current organisation was not able to achieve the desired increases in support from, and provision of services to, their local communities. There was little ability to change inputs and outputs while maintaining the existing ownership and organisational structure, which inhibited management's ability to satisfy a changing stakeholder base that was increasingly focussed outside the parent company. The change to a corporatised structure appears as the most suitable option as it would provide opportunities for enhancing artistic and financial viability for each orchestra while offering protection against any negative aspects created by external market pressures through the continuation of the national network of the parent entity.

This chapter has looked broadly at the various ownership options available to symphony orchestras and it has identified that the corporatised nonprofit model would have been the most appropriate choice for the symphony orchestras in Australia, given the identified outcomes of such a change process. To explore further how this change to the structure has affected each of the areas identified in **Figure 4.1** the following chapter will develop more specific criteria surrounding organisational change in the context of the Australian orchestras, that can then be measured and assessed.