

MANAGING AUSTRALIAN SYMPHONY ORCHESTRAS: THE EFFECTS OF CORPORATISATION

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INTRODUCTION

When the Australian Broadcasting Commission (ABC) was formed in 1932 under the Australian Broadcasting Commission Act, a key part of its charter required the organisation to establish professional musical ensembles in each of the six states for the purpose of broadcasting concert repertoire and other music live over its network of radio stations (Watt 2000). Thus began the lives of the six major Australian symphony orchestras - the Sydney, Melbourne, Queensland, Adelaide, Western Australian and Tasmanian Symphony Orchestras - all of which until recently comprised a network fully owned by the ABC and managed by its Concert Music Division. Over time, the broadcasting duties of these orchestras were augmented by extensive concert performance schedules, a combination which had turned the ABC into one of the largest orchestral music and concert organisations in the world.

This structure continued for over 60 years until 1994, when a key proposal put forward by the Commonwealth Government saw the divestment of the Sydney Symphony Orchestra from the ABC in March 1996 and its subsequent incorporation as a wholly-owned subsidiary of that organisation. A similar process ensued for the other five orchestras over the following four years, with the Queensland Symphony Orchestra the last to be incorporated in early 2001. A seventh subsidiary company, Symphony Australia, was formed to perform an administrative and advocacy function on behalf of the orchestra network.

From the financial, artistic and administrative points of view, the corporatisation of the orchestras has made a significant impact on the way they are managed. Whilst, under the new regime, the managers of these organisations are presented with a host of benefits and opportunities, the structure is not completely without its operational difficulties. This paper describes the discussion process which eventually led to the corporatisation of all six ABC orchestras - a process which was impacted upon by six Governmental reviews and which ultimately spanned more than 15 years. It discusses the key arguments raised in favour of a corporatised structure and explores the various corporatisation models considered by the Commonwealth Government. The paper also examines from a managerial viewpoint the major organisational effects of corporatisation, bringing to light the successes achieved by orchestra managers, as well as the range of challenges faced by these managers.

Methodology

Information was initially obtained from a number of Commonwealth Government policy papers as well as a series of reviews and discussion papers, compiled by specially formed committees and submitted to the Commonwealth Government for consideration. Of these documents, only one focussed specifically on establishing a case for corporatising the orchestras; the others tended to include discussion of this subject as part of a broader review.

Thereafter, a series of in-depth interviews was conducted by the author with persons who were highly instrumental in the corporatisation process. Interview subjects included

present and former General Managers of five of the six orchestras, a select number of departmental managers within the orchestras, the former Director of the now defunct ABC Concert Music Division, the Director of Symphony Australia, and a number of senior public servants from the Commonwealth Government Department of Communications, Information Technology and the Arts (DCITA).

REVIEW COMMITTEE REPORTS & POLICY STATEMENTS

The Dix Report

The Committee of Review of the Australian Broadcasting Commission, chaired by Alan Dix, was formed in 1981 and charged with conducting a review of the ABC's entire operation. The committee's report (the Dix report) was the first to formally question whether it was appropriate for the ABC to continue to own and manage the orchestras, stating:

The ABC...has made an immeasurable contribution to Australia's musical life. However, the orchestras were established primarily to provide music for the broadcast service, and the need for this has declined as the community's demand for other uses for the orchestras has increased. The ABC's current internal structure...is inappropriate and distances the orchestras from changing community needs in their states (Committee of Review of the Australian Broadcasting Commission summary paper 1981: 17).

Further, the committee advocated that Parliament allocate separate budgets to the orchestras so that funds were not able to be transferred internally from domestic broadcasting activities to the orchestras, or vice versa. The committee recommended that the Concert Music Department be divested from the ABC and set up as a separate coordinating organisation, Music Australia, which was to be headed by a Managing

Director and responsible directly to the Board of the ABC (p. 32). In the longer term, the committee recommended that Music Australia, in consultation with the ABC and the Federal and State Governments, be established as a completely independent entity based upon the Concert Department of the ABC, but allowing the management of state orchestras to pass to individual states. As part of this recommendation the ABC was to continue to utilise the services of the orchestras for broadcasting and recording as it saw fit. Whilst conceding that no state Governments had indicated their preparation to increase subsidies to orchestras, committee members felt that all states would eventually support the devolution providing that funding arrangements could be adequately worked out.

In its response to the report, the ABC vehemently opposed this recommendation, stating that establishing “a centralised Music Australia along similar lines to the ABC’s organisation would merely result in a more expensive and inexperienced but not necessarily more efficient organisation with a new name” (Australian Broadcasting Commission 1981: 11-12). The ABC did, however, support the notion that a specialist inquiry be held relating to the future of the orchestras before any decisions were taken regarding the Music Australia proposal.

Another recommendation of the Dix committee was that the Sinfonia, the ABC’s national training orchestra, be disbanded; it did not see the ABC as having to perform a training function. This point was also rejected by the ABC, which contended that the Sinfonia did

not train musicians as such, but rather enabled competent players to be trained to work within an orchestral setting.

The Dix report also recommended that the Australian Broadcasting Commission be reconstructed as a new national broadcasting organisation - a recommendation which directly resulted in the passing of an Act of Parliament in 1983 giving rise to the 'Australian Broadcasting Corporation' (Watt 2000). Section 6 of the enabling legislation of the new ABC charged the corporation with the responsibility to broadcast domestically and internationally, and also to "encourage and promote the musical, dramatic and other performing arts in Australia". Further, section 28 of the Act allowed the corporation to "(a) establish, maintain and utilise, as the Board thinks desirable, orchestras....for the performance of music of high quality; and (b) to make arrangements for the holding of, or organise or subsidise, any public concert or other public entertainment" (cited in Watt 2000: 2).

The Tribe Report

Clearly, the powers and responsibilities of the newly created Corporation, as set out in the ABC Act, coupled with the rejection of the proposals put forward in the Dix report, had indicated a certain reluctance on the part of the Commonwealth Government to divest the orchestras from the ABC; indeed, the Act appeared to reinforce the intention of the Government to allow the current ownership and management arrangement to continue indefinitely. Notwithstanding this, in 1984 the Cultural Ministers Council - comprising Arts Ministers from Commonwealth, State and Territory Governments – commissioned a

study group chaired by Ken Tribe, to once again examine the ownership issue. In probably the most comprehensive review of the ABC orchestras ever undertaken, the study group acknowledged the past contributions made by the ABC. It also highlighted a number of merits associated with ABC ownership of the orchestras, however, it ultimately came to the same conclusion as the Dix committee before it, advocating vigorously for the complete divestment of the orchestras to independent local ownership.

It also argued for the appropriation of orchestra funds to be channeled through the Australia Council (the national arts funding body) or a Federal statutory authority created especially for this purpose. It proposed that each orchestra should provide free of charge a designated number of recording and broadcast hours to the ABC, in order that the ABC could continue to bring the orchestras to Australian audiences through radio and television broadcasts as well as recorded product. The group further recommended that the QSO, WASO and ASO be combined with other state-based orchestras and, like Dix, suggested the disbanding of the ABC Sinfonia.

Deficiencies of the Present System

The argument made by the in the Tribe report for the divestment of the orchestras from the ABC was a compelling one, highlighting the various deficiencies of a centralised system whilst putting forward a number of potential positive outcomes in a divested scenario (Study Group 1985: 26-37). Among the perceived drawbacks of the existing system were:

- The paying audience for ABC concerts was in decline. Overall subscription sales had fallen by 9.2% in the 1983-84 financial year.
- Audiences for ABC orchestra had declined while audiences for English, Swiss, American and other Australian orchestras were steadily increasing.
- The ABC's orchestral programs for schools lacked consistency; numbers of concerts and attendances vary significantly, with management apparently affording them low priority.
- A career as a musician in an ABC orchestra is no longer attractive to many players. Reasons cited by a group of young musicians from the Australian Youth Orchestra include low morale, low quality, poor administration, poor conductors and insufficient remuneration.
- There was a high rate (26%) of turnover, with the ABC recruiting 100 players per year, or 100% of its total player population every four years.
- Player security in the ABC was in doubt, with the full establishment not being maintained due to funding constraints.
- There was an inordinately high level of use of ABC orchestras in studio work. This is seen as a waste of time and resources, keeping players away from more productive tasks.
- Production of permanent recordings of ABC orchestras was in decline.
- The Federal office was perceived as having too much control over the workings of the orchestras, being inexpert due to lack of decision-making powers, and unwilling to respond to constructive criticism.

- The level of central control was seen as wasteful, with certain matters which could be handled locally having to be referred to Sydney.
- The ABC's skills in marketing the orchestras were seen as seriously deficient.
- Earned income of ABC orchestras (20% of total income) is low compared to American equivalents (40–60% of total income).
- The distribution of resources and maintenance of uniformity of standards was disputed; larger states were seen to be favoured over the smaller states.
- There was a general perception of a decline in the quality of orchestral playing. Reasons cited include remuneration/motivation issues and lack of leadership and consultation in artistic matters.
- The ABC orchestras did not engender a strong community interest - orchestras were seen as ABC property as opposed to community property.

Arguments for Divestment

In its introductory comments, the study group stated as its core argument for divestment that live concert performances before local audiences, and not studio broadcast work, form the essence of an orchestra's operation and success, hence "its activities, responsibilities and accountabilities must be seen initially as local" (Study Group 1985: 21). It took the view that "an orchestra lives with a live and present audience; confined to the studio it would die. There is little point to a remote, centralised management for such a local phenomenon".

In keeping with the above sentiment, the study group put forward nine key arguments for the complete divestment of the ABC orchestras to local ownership and management. It argued that a locally owned and managed orchestra would:

- be more accountable for its performance, both financially and artistically. It could no longer disguise a failure to perform in the market place within the financial accounts of a much larger governing organisation such as the ABC.
- respond in a more flexible manner to problems and opportunities within its operating environment. ABC's management in this regard was seen as being too rigid to effect timely responses to difficult local situations.
- forge a local identity and rise to its highest possible standard. It could, over time, “develop particular competencies and interests in distinctive parts of the [standard] repertoire which give it a character different from other orchestras...” (Study Group 1985: 41).
- nurture community interest and support by developing a spirit of healthy competition and contrast with other Australian orchestras. This would be heightened if financial support was given to the orchestras to tour interstate.
- develop professionalism and diversity in management structures, styles and practices. This diversity would possibly give rise to a more vibrant and responsive management, with individual managers being afforded the opportunity to learn from each others' successes and failures.
- potentially increase its level of private sponsorship; benefactors would be more inclined to lend their support to a local, independent orchestra than for an ABC owned orchestra.

- potentially increase its level of sponsorship from the state government.
- potentially emulate the successes of some of the world's finest independent orchestras. To the study group's knowledge, there was no centralised management structure like that found in Australia, successful or otherwise, elsewhere in the world.
- Have the capacity to be flexible in its approach to scheduling rehearsals in order to allow for the degree of ease or difficulty of repertoire.

The Waks Report

The years following the Tribe report saw the ABC Concert Music Department retain ownership and management of the orchestra network. In a review of the Concert Music Department he was invited by the ABC to undertake, Waks (1992) reported that the ABC had strengthened local management, devolved budgets and staffing to local control, and had incorporated a more refined set of key performance indicators into its 1991-94 Corporate Plan. A comparative analysis against this plan in 1992 indicated that the ABC was responding to concerns diligently: numbers of concert performed had increased, along with attendance figures; the number of musicians employed continued to rise, whilst the number of administrative and support staff decreased; and the use of Australian artists and performance of Australian works were also at creditable levels. Waks suggested that these results were indicative of the ABC's strength of commitment to the orchestras and their activities, whilst facing impending funding cuts for the entire corporation.

Waks (1992) made a series of general recommendations in relation to the administration and policies of the Concert Music Division, however, he made explicit reference to the orchestras in two ways: he recommended that an artistic advisor be appointed to each of the six orchestras; and that input from the musicians from all orchestras in relation to issues such as the assessment of conductors, soloists and new works was utilised more effectively.

Creative Nation

In 1994 the Federal Government released its ‘Creative Nation’ arts policy document, in which it asserted that “the centralised control has led to some inflexibility and which has inhibited the full development of our leading orchestras” (Department of Communications and the Arts 1994: 27). Making reference to the Tribe report, the Government conceded that the “vitality, international achievement and distinct character” of the orchestras would be better achieved if the activities and responsibilities were seen as predominantly local, and distinct from national broadcasting of performances.

Creative Nation also announced the Government’s intention to establish the Sydney Symphony Orchestra as the flagship orchestra of Australia. To that end, the SSO would be divested from the ABC and corporatised as a subsidiary company, wholly-owned by the ABC. Additional funds were pledged to the SSO to provide for guests of international repute and allow for increased international touring and recording activities. Funds would also be provided to increase the number of musicians to the international standard of 110, and to increase salaries for musicians. The Government stipulated that

the ABC would continue to broadcast the orchestra's performances with comparable frequency. In all, the Government promised an additional \$2.5 million to the SSO on the condition that the orchestra was divested from the ABC and corporatised as an independent organisation. This divestment occurred in 1996 and was to provide the structural framework that would eventually be adopted by the other five ABC orchestras.

The Mansfield Report

In another review of the operations of the Australian Broadcasting Corporation, Bob Mansfield (1997: 44) argued that "the case for structural separation [of the orchestras] was more compelling than ever", pointing out that the ABC should focus its energies on broadcasting operations, and that the management of orchestras should not be a priority for the corporation. Citing a recently issued press release from the Department of Communications, Information Technology and the Arts (DCITA), he commended the ABC Board's decision to transfer the current allocation of A\$32 million to the orchestras, and to set up the orchestras as subsidiary organisations, each with its own Board comprising local representation.

The Nugent Report

Whilst not of itself an inquiry into the ABC or the orchestras, the Committee of Inquiry into the Major Performing Arts certainly had an impact on the orchestras, as it examined the funding arrangements of the 31 leading Australian arts organisations. The Committee recommended the establishment of a Major Performing Arts Board within the Australia Council to undertake all Commonwealth funding appropriation for the major performing

arts organisations, and that triennial funding be introduced or continued. In relation specifically to the six ABC orchestras, the committee proposed that the two Australian flagship orchestras (the SSO and MSO) should obtain 85% of their funding from the Commonwealth Government and 15% from their respective State Governments, whilst the four regional flagship orchestras (the QSO, WASO, ASO and TSO) should obtain 75% of their funds from the Commonwealth Government and 25% from their respective state Governments.

It was evident that, whilst the case put forward in the above reports for corporatisation of the orchestras was compelling, there had been a certain reluctance on the part of the Government to divest it from the ABC. Indeed, it was only the 1994 Creative Nation cultural policy statement, in which the corporatisation of the Sydney Symphony Orchestra was decreed rather than discussed, that provided true impetus to setting the orchestras up as independent organisations. Now, some seven years after the incorporation of the SSO and two years since the incorporation of the QSO, orchestra managers and other key individuals offer their comments on the organisational effects of corporatisation.

Some Findings from the Interviews

Many key arguments were put forward in favour of the corporatised structure by Dix, Tribe, Mansfield and others. One of the main points raised in the case for corporatisation was the level of autonomy managers would enjoy in an independent orchestra. This point was illustrated by the following comments:

I think independence and control over your own destiny is very appealing for musicians – it is certainly more likely to happen with an independent organisation....

independence had been forged quite strongly with the [ABC] Concert Music Division before we actually left....in fact, we were making independent choices [prior to corporatisation].

As the CEO of this organisation, I prefer the autonomy. Although we've had some difficulties, nevertheless we are masters of our own destiny, within reason because all our accountability issues are to the Australia Council and [the State arts funding body].

Another point that was strongly argued by Tribe's study group (1985) in support of corporatisation was the notion of establishing a local identity for the orchestras within their own communities. Whilst it was acknowledged that the ABC had done much to facilitate this prior to corporatisation, it was felt that independent orchestras with their own local boards would engender a sense of ownership and identity which would be most beneficial to the orchestras. The following comments made by interview subjects are typical of managers' feelings toward this:

Identity with the local community is something they need; that sense of ownership in the local community instead of being owned by 'auntie' [an Australian colloquialism for the ABC] – I think that's been very significant

Individual orchestras finding their own identity – that has certainly been helped by corporatisation and that quite often feeds into artist and repertoire selection by virtue of the image that the orchestra is creating

It [corporatisation] enhances the way an orchestra can operate in the community; it is more effective in ensuring that there are higher standards of performance, greater access by more members of the public....I think on those criteria, it's probably proceeded pretty well

The [ABC's] Director of Concert Music Division had set up structures to enable that ability to respond to local markets to happen by having distinct orchestral management structures for each orchestra – outside advisory Boards comprising people from local communities, as well as outside fundraising Boards....corporatisation simply formalised that...

One of the early effects of corporatisation was an initial resistance on the part of most musicians to the change of structure. Invariably, this required an extensive consultation process, as managers needed to reassure staff that employment conditions and job security would be maintained. Some typical comments from interview subjects serve to illustrate this:

there was a general desire against change...the orchestra had no particular problems once we could assure them that basic superannuation, ability to access workcover [workers' compensation] wasn't going to change, there wasn't any resistance there. But in fact everyone had to be asked to sign a consent to change their employment from one body to another body....and there was concern expressed by the union....

there was a bit of uncertainty amongst employees about leaving the perceived – and it's important to emphasise 'perceived' – safety of working under the ABC system"...“I think that people, at the end of the day, didn't have much of a choice, it was to our collective advantage to be out of the ABC”....“the rights [employees had] under the ABC simply transferred to the various orchestras

there was a huge amount of work going on - lots of consultation, lots of reassurance. We actually had to take one of the players off playing duties for the entire period [whilst new structure was being put into place] and put him on as a sort of consultant...to work with the politics and governance [issues]. This guy was in charge of the union at the time and we really needed to pick them up and take them with us

Another consequence of corporatisation was the necessity to re-think programming and marketing decisions. Whilst operating within the ABC, a degree of cross-subsidisation took place between the orchestras themselves, and also between the orchestras and other

departments of the ABC. Once set up as independent organisations, the orchestras became fully accountable for the generation of revenue, with managers generally becoming much more attentive to the box office appeal of their offerings. This affected both programming decisions and marketing strategies, and in some cases resulting in the deletion of programs that were considered to be of doubtful commercial value. The following comments provide examples of this point:

The Board is much more focussed on the business - the security of the business, the viability of the business....there would be less 'mixing' of a Beethoven symphony with a contemporary work....[the aim was] niche programming for niche markets

From time to time we'd say we need to get more Beethoven in this year because we need those 'bums on seats', but then so does the New York Philharmonic

We cut out some concerts that weren't making any money, but were done for artistic reasons....we've had to make some very commercial decisions in an artistic environment. We didn't actually affect programming in the core business [i.e. 'standard' repertoire]....we affected it in 20th century music, contemporary music that generally has high augmentation costs, high conductors' costs, high soloists' costs...and they weren't selling as a stand alone series

Some managers also commented on the lack of appropriate levels of funding as a result of the corporatisation of the orchestras. However, they conceded that funding under an ABC regime was even more precarious as the corporation was facing significant funding cuts at the time and it was merely a matter of time before these cuts directly affected the orchestras. In order to preserve the \$32 million allocated to the orchestras by the Federal Government, the corporatised structure was the only viable option available. The following statements were made by managers in relation to this issue:

The ABC had to make substantial cuts across the board...they would have had to look at the orchestras and say “this is going to have to apply to you guys as well”...and you don’t cut an orchestra; if you cut an orchestra, you end up with a substantially different creature.

[the orchestras] would have been severely threatened if each had stayed with the ABC because they would have been subject to the 10% funding cuts which all other areas of the ABC had

Corporatisation was more secure than the ABC was about to become...so corporatisation wouldn’t have happened without the threat [of funding cuts]...or wouldn’t have happened that quickly

I don’t know how keen the ABC would have been about sacking 100 musicians around Australia, so it [corporatisation] got rid of a problem for them

They [the ABC] knew there was going to be funding cuts and they knew they couldn’t run the orchestras with \$32 million dollars....one of the critical things that Ken Tribe said...was that “no orchestra would be disadvantaged as a result of corporatisation....and this orchestra has been

On the topic of severing administrative ties with the ABC, whilst still retaining a link to its broadcasting services, interview subjects were generally of one voice. They asserted that whilst the ABC was the orchestras’ only shareholder, for all practical purposes they operated completely independently, particularly when it came to possibly providing extra funding to the orchestras. Access to ABC’s broadcasting, however, was seen as an extremely useful reciprocal arrangement, as exemplified by the following comments:

There are valuable links for us in relation to broadcasting, from both sides. We collectively still provide a hell of a lot of content to the ABC, and in turn...for our concerts, its not just however many people are sitting in a hall or a theatre, it’s also the hundreds of thousands that listen to a Classic FM [ABC radio station] broadcast

The orchestra has not suffered for not having the safety net [ABC] – not at all...it might have been tougher, but the whole process has been a positive by a longshot.

Having to develop and maintain a relationship with an ex-governing body...that was important. In terms of the relationship with the ABC, it became so preoccupied with its own finances and other issues, the timing was probably fine

[Broadcasting is] a win-win for both organisations; we want our stuff to go through to air and the ABC wants content for ABC Classic FM. There's...arguments about whether we should get broadcast fees for it...in my view the only reason the ABC kept the one link (i.e. the shareholding) was for those broadcast rights

If anyone [suggests] that...the ABC would bail them out, they're absolutely dreaming – the ABC would not put one cent into any of the orchestras.

From the above comments, it could be argued that there have been some issues of concern since corporatisation was effected, not the least of which are those relating to programming and funding, however, it is considered fair to state that the positive consequences have significantly overshadowed the negative consequences.

CONCLUSION

The divestment of six major symphony orchestras from the Australian Broadcasting Corporation, and their subsequent corporatisation as independent organisations was a significant step within the context of the Australian arts industry. It represented the Australian Government's acknowledgement of the growth and development of the orchestras, whilst promoting community ownership and involvement in these flagship companies. That the debate surrounding corporatisation had taken place over some 20 years highlights the fact that the decision to travel this particular path was not taken lightly. Their retention as wholly-owned subsidiary companies of the ABC has provided the orchestras a structure which offers independence and autonomy, along with access to an extensive national broadcasting network. Whilst, from a managerial point of view a number of concerns needed to be addressed initially, it is clear the orchestras have derived a great deal of benefit from the new structure.

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