

TAKING RISKS IN TIMES OF ADVERSITY

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This paper was written as a background note for a meeting of the Ford Foundation's New Directions/New Donors program organized by the Nonprofit Finance Fund in New York in May 2002.

1. The purpose of this paper

The intention of this paper is to provide some reflections that might inform the discussion that New Directions / New Donors program participants will be having at their third annual convening in New York, entitled *Taking Risks in Times of Adversity*.¹

This paper seeks to argue two broad points about the role of risk in arts organizations today.

- First, while the management of specific risks is an important and commonly understood professional skill, the strategic protection of the ability to take risks – the wellspring of artistic renewal – is a neglected area in the great arts management Chautauqua of recent years. This is an area that repays greater attention by the leaders and managers of arts organizations and that – surprise, surprise – leads us back to some of the enduring ND/ND themes such as adequate capitalization;
- Second, by not addressing explicitly the need to protect their capacity to take risks, arts organizations are often more rash than they need to be because they are less organizationally aware than might reasonably be expected about the nature of the risks that they take, their interactions, and the options available for their mitigation.

In the second section of this paper, some observations are made about the current sense of adversity felt by many arts organizations, particularly post September 11, and it is argued that much of this, whilst very real, is generated by the internal dynamics of arts organizations rather than the external environment. The third section seeks to explore further the conundrum of adversity experienced in a period of historic prosperity and stability and to suggest that a significant cause is the need to grapple with multiple and conflicting goals. In the conclusion some remedies are tentatively sketched out. The remainder of this section explores the premises of the argument.

‘Risk’ is a concept so vast in its scope that it permeates, well, everything really... For something to exist in the dimensions of space and time, whether in animal, vegetable or mineral form, is for that thing to be at risk, whether the source of potential harm

¹ The paper reflects conversations with a number of participants in the program over the past few weeks. I am particularly indebted to: Michael Gennaro, Larry Goldman, Louis Grachos, Anne Hawley, Arthur Jacobus, Gail Kalver, Arnie Malina, Lynda Myers and Andrea Rogers, and my colleague Joe Hill. The insights are theirs and the wild generalizations mine.

lies in the hostile potentialities of the external environment or in the inexorable laws of entropy that condition the known universe. And much of our behavior, whether learned or inherited, individual or collective, is conditioned by the self-preservational instinct to reduce our exposure to risk or mitigate the effects of that exposure. (A note on the vocabulary of risk can be found at the end of the paper.)

In most respects, arts organizations are no different from any other social organism in their need to manage the consequences of taking risks if they are to survive and thrive. However, they have some attributes that make their relationship to risk both distinctive and complex, and they have adopted some responsibilities and *modus operandi* that make the effective management of risk more challenging than it would otherwise be.

The need to take risks is at or near the heart of any cultural organization. An on-going commitment to experimentation and to development is a defining characteristic of artistic endeavor – irrespective of the ultimate aesthetic merit, critical reception, social value, or commercial success or failure of the product of that endeavor. Artistic expression, like scientific research, involves, indeed necessitates, innovation whether in medium or message.

This means that arts organizations have a necessary, rather than contingent, relationship to risk simply by virtue of being arts organizations. This need to embrace risk rather than simply manage it is not an attribute of many of the other activities, such as entertainment, public education, social integration or economic renewal, that cultural organizations have increasingly adopted over the past two decades and that they have sought to combine with, and pursue through, artistic endeavor. (*Some* cultural institutions have always embraced *some* of these functions. It is their almost uniform adoption – at least in rhetorical form – throughout the cultural sector that is a more recent development.)

Artistic risks are risks taken for artistic reasons – distinctive in motivation but not in manifestation. Artistic rewards are, on the other hand, distinct manifestation. This asymmetry is important and often misunderstood. The impact of taking artistically-motivated risks may be financial (‘it may bomb at the box office’); critical (‘and even those few critics we rate may hate it’); organizational (‘and its going to stress our organization out to pull it off’); or personal (‘and if it does bomb, and get panned, and stress out our colleagues, we in turn are probably going to be sacked...’). The term ‘artistic’ does not therefore define the *nature* of a given risk, or indeed its scale – its impact maybe anywhere on the relevant calibration from the barely discernable wobble to the apocalyptic crash. Therefore, to try to find some distinctive species of risk – as opposed to the motive for taking it – that has artistic attributes is what philosophers call a ‘category error’.

Artistic risk is not therefore quite the mysterious ‘black box’ that it is sometimes presented as being. The risk stemming from an artistically motivated decision is as open to rational analysis and measurement as are the consequences of risks taken for any other reasons, including commercial gain. However, it is the *reward* of successful artistic risk-taking – the potential upside return of success – that often proves more difficult to articulate in the vocabulary that arts organizations have

adopted in their public descriptions. The language with which the ultimate justification of artistic risk is made is often curiously unsatisfactory, self-conscious and opaque and it is a vulnerability of those who seek to take or to champion artistically motivated risks more generally that so much of the rationale through which the case needs to be made adopts the vocabulary of other disciplines (such as that of economic impact or the generation of social capital) rather than the language of artistic value.

Indeed, unless the *inevitable* asymmetry between the way in which we measure artistic risk and artistic reward is better addressed in public discourse and there is a more generally understood vocabulary in which to discuss the *rewards* stemming from artistic risk, it is difficult to see artistic motives as anything other than seriously and increasingly disadvantaged in most dialogues about the allocation of resources. An arts organization that gives a low priority to artistically motivated risk-taking may seem like an oxymoron, but it may also be the inexorable result of incremental decision making in which artistic rewards (as opposed to risks) go uncounted or unweighed other than through the sheer force of personality and organizational weight of an incumbent artistic director.

Meanwhile, as the pace of change increases, exposure to risk increases; and as complexity increases, whether the complexity is of organizational means or of ultimate ends pursued by cultural organizations, risk also increases. Most cultural organizations are experiencing adverse changes in all three of these generic sources of risk:

- The accelerating pace of change in the external environment is the leitmotif of global capitalism in the late twentieth and early twenty-first century;
- The increasing complexity of organizational goals is one of the well-documented challenges of cultural leadership, as broadly artistic goals are combined increasingly with complex roles as agents of social cohesion, economic regeneration and urban renewal;²
- The evolution of sophisticated and complex means or tools for the realization of these goals include such skills and disciplines as arts marketing and development, brand positioning, the harnessing of interactive technology and the management of complex relationships with an increasingly diverse and well articulated array of stakeholders – that is, those with a perceived interest in the activities of the organization in question.

All these ‘drivers’, to use the jargon of management science, and their complex interactions represent multi-layered and unpredictable sources of risk and failure. Small changes in the external environment can therefore have a significant impact.

Given the intimate relationship arts organizations have with risk, one might also expect them to be particularly engaged by issues relating to its successful

² See, most recently, Marjorie Schwarzer, ‘Turnover at the Top: Are Directors Burning Out,’ *Museum News*, May / June 2002. See also Adrian Ellis, *The Context for Culture Now*, J Paul Getty Trust, November 2001.

management and, above all, vigilant in their protection of their continued ability to take risks. However, many of the broader responsibilities that arts organizations have taken to their crowded hearts, for a range of motives from the mercenary to the idealistic, have themselves clogged their organizational arteries. This has made *discretionary* risk-taking, whatever the motive, more difficult as the execution of these added responsibilities interacts with environmental changes, of which the aftermath of September 11 is one of the most obvious.

2. Adversity post-September 11

The title – and theme – for the meeting was decided shortly after the terrorist attacks of September 11, 2001 and it is probably as well to try to address this head on. ‘Adversity’ is, in this context, short-hand for the cumulative impact on America’s cultural organizations not of the immediate tragedy of the lives lost in the attacks, or the immediate physical impact on New York and Washington, but of a cluster of wider repercussions that were felt throughout the world and appeared to change at least some of the context in which cultural institutions operate. In this section, four distinct sets of repercussions are identified and their broad implications assessed.

The first repercussion is simply the disturbing impact on the national psyche of the unprecedented affront of a hostile act of war successfully perpetrated on the American mainland, preceded as it was by the cumulative and adverse impact of the burst of the high tech bubble and the stock market crash of 2000, and followed by the anthrax scare and the war in Afghanistan. Cumulatively, they have shaken the instinctive conviction of many Americans that they operate in a world of continuous incremental improvement.

The second repercussion is the challenge presented to geo-political stability by:

- The US-led interventions in Afghanistan that represent the most obvious governmental response to the attacks;
- The causally related and dramatically increased tensions in the Middle East generally and Palestinian-Israeli relations in particular; and
- America’s desire to act unilaterally in pursuit of its interests despite the fragile nature and complex composition of the anti-terrorist coalition of its political allies.

The heightened sense of danger abroad is combined with unease amongst many Americans that, pending contrary evidence, the attacks may have been the opening salvos in a protracted, sporadic and unpredictable conflict in which those very freedoms that are central to the polity – freedoms of speech, movement and assembly – may themselves represent a vulnerability in the nation’s defenses. Their protection may, paradoxically, require their curtailment.

The third repercussion of the attack is the context that it has created for critical reflection on the enduring conflicts of ‘core values’ in a world where history itself –

in the sense of a dialectic of conflict between incompatible and mutually hostile ideologies – had been widely touted by authors such as Francis Fukuyama as ‘ended’ by the total moral and *de facto* ascendancy of consumer-oriented liberal market democracy. The attacks have been thought by many to constitute a sort of extreme wake up call to the notion that certain core values held dear by most American citizens are seen by significant minorities of the world’s population as either the self-justificatory cant of the affluent or in themselves morally debauched and socially corrosive.

Finally, there is the fallout for the arts. In all the uncertainty generated by both the acts of terrorism themselves and the wider ramifications outlined above, it is feared that the personal and philanthropic priorities of arts organizations’ stakeholders (audiences, public and private funders etc.) may experience a fundamental reordering in a way that adversely affects their continued support – specifically, by their wanting to see or hear less of these organizations and by their wanting to spend discretionary philanthropic dollars elsewhere.

In addition, the unsettling nature of the attacks is seen as affecting not only the scale of support, but also predictability, making it more difficult to make informed decisions about audience or supporters’ behavior – for example, accelerating the shift from subscriptions to single tickets, and increasing the risk exposure caused by the inevitable lead time required in booking product and the financial commitments this requires. (Most of these risks, including donor loss and loss of goodwill caused by third party cancellations, are uninsurable and therefore cannot be mitigated by conventional means.)

Seven months later, some but by no means all of the relevant smoke has cleared, so any reckoning of whether these fears are justified is still tentative. Nevertheless, here are five observations.

First, despite a broadening range of views on the legitimacy and effectiveness of the United States’ policy of overt war on terrorism, promulgated in response to the attack, there is general agreement that the policy has the potential to draw the country into armed conflict over a very wide geographical area throughout the Middle East, South America, Asia and possibly a number of ex-Soviet states. The geo-political situation remains dangerous and unpredictable. No broadly stable ‘system’ has replaced the uneasy stalemate of the Cold War, and the ramifications of this vacuum, combined with America’s status as the only remaining super-power, are increasingly apparent. The nearest thing to a new world order is globalized consumer capitalism *a l’Americaine*, to which the terrorist attacks are in some ways a reaction alongside, for example, the protests that have accompanied meetings of such bodies as the World Economic Forum in recent years.

Meanwhile, at home, the longer-term national agenda for ‘homelands security’ and its impact on fundamental freedoms are *still* unclear. Those concerned with civil liberties have highlighted the plight of individuals with minor infractions or tangential transgressions in their residency paperwork and of those caught up in general ‘sweeps’. Air travelers experience a degree of inconvenience. The American

government is at pains to warn citizens periodically that there are unspecified risks of further terrorist attacks, although none have yet materialized.

Second, the issue of America's contested place in the world order remains near the surface of a national psyche that is generally fairly self-regarding and self-confident. Whilst normal life has returned, there is a low-level awareness amongst most Americans that the attack underscored both the privileged place of America in the world and the hostilities that those privileges and their protection can generate. There is a wide range of views as to the legitimacy of this hostility and therefore of the appropriateness of adjustments to public policy or private values to accommodate or address that hostility – that is, the appropriateness of addressing its social, political and economic roots rather than its extreme physical manifestations in acts of terrorism. An on-going national *debate* about these issues is manifest not simply in op-ed pieces in up-market newspapers and the staged table-talk of the chattering classes, but also in spontaneous discussions between strangers, within families and at the workplace.

Third, as a result, the attack represented for a significant number of people a context for reappraisal of aspects of their personal and professional lives. This is manifest in, for example, the discernable trend in searches for more meaningful employment and a better balance between work and home noted by executive search companies. Even publications as generally hard-boiled as the *Harvard Business Review* (April 2002) are running articles on trauma counseling and on the impact of the attack on professional and personal goals of senior executives.

Fourth, the worst fears of its impact on the arts have not materialized. The appetite for air-travel and tourism have taken a hit, with overseas tourists staying away from the States, particularly Japanese tourists. The most recent figures suggest, for example, that New York museums' visitor numbers remain down some 20%, almost wholly attributed to a decline in overseas and 'long-distance' tourists (*The New York Times*, April 24). The attacks dampened both arts attendance and voluntary contributions severely in the short term. But there is no evidence of a longer-term impact on either of these beyond the impact on overseas or long distance tourism. The impact on arts organizations of reduced endowments, and reduced foundation giving as a result, stems from the longer-term decline in stock market values, which bottomed following the 7% drop when the markets reopened after the attacks and appears to have stabilized.

The New York Times reported (March 12) that "New York City's major theaters and museums, which suffered a devastating drop in attendance after Sept. 11 have rebounded so strongly that several of them are reaching or exceeding pre-attack attendance predictions and even doing better than they were a year ago... [A]ttendance at the Metropolitan Museum of Art is heavier on weekends than it was last year this time. For the week ended Sunday, Broadway set box office records for this year with revenues up 18 percent and attendance up 6 percent over the same week last year." Two weeks later, *Newsweek* reported that Broadway has "given back a bit of what it got from the City of New York to help the theaters after the Sept. 11 attacks on the World Trade Center – and the money will go to other needy organizations. The League of American Theatres and Producers returned \$1 million of a \$2.5 million

stipend given last fall by the city to 11 Broadway shows that were facing the prospect of a bleak winter.”

And the further one moves from New York, the less noticeable the impact on attendance and contributions. Studies by AMS Planning and Research Corporation of the impact on the performing arts nationally and by the Center for an Urban Future on all arts organizations in New York both showed a dramatic impact in the six weeks after the attacks. By March of this year, however, putting aside one-off losses, the lasting impact was significantly less noticeable. Separately, a survey of 134 large, medium and small art museums conducted last month by the Association of Art Museum Directors showed that 80% of them report current attendance to be the same or higher than it was before September 11.

Fifth, the impact of the attack on civic engagement may actually have been positive. Robert Putnam, the generally lugubrious chronicler of the decline of voluntary organizations that are the social glue that binds civic life, has recorded a significant reversal in the trend of ‘civic privatism’ since September 11. We are, he notes, starting to ‘Bow Together’ again in response to external threat.

He writes:

During the summer and fall of 2000, my colleagues and I conducted a nationwide survey of civic attitudes and behaviors, asking about everything from voting to choral singing, newspaper readership to interracial marriage. Recently, we returned to many of the same people and posed the same questions. ...Emerging from the immediate trauma of unspeakable death and destruction, these 500 Americans were adjusting to a changed world and a changed nation.

Though the immediate effect of the attacks was clearly devastating, most Americans' personal lives returned to normal relatively quickly. For example, despite anecdotal reports of increased religious observance in the immediate aftermath of the tragedy, we found no evidence of any change in religiosity or in reported church attendance. Our primary concern, however, was not with change in the private lives of Americans but with the implications of the attacks and their aftermath for American civic life. And in those domains, we found unmistakable evidence of change. The levels of political consciousness and engagement are substantially higher than they were a year ago in the United States. In fact, they are probably higher now than they have been in at least three decades. Trust in government, trust in the police, and interest in politics are all up. ...

[T]he bipartisan, nationwide effect of the terrorist attacks and their aftermath is clear. Although we found most of the changes in civic attitudes to be relatively uniform across ethnic groups, social classes, and regions, some registered more sharply among younger Americans (those aged 35 and under) than among their elders. Interest in public affairs, for example, grew by 27 percent among younger people, as compared with 8 percent among older respondents. Trust in "the people running your community" grew by 19 percent among younger people, as compared with 4 percent among older ones.³

³ Robert D. Putnam, “Bowling Together,” *The American Prospect*, February 2002.

Seven months on, then, and compared with many periods of history, including some of phenomenal artistic creativity, ‘adversity’ may sound a little over-blown as a description when placed in a broader context.

In our own times alone, writers such as Vaclav Havel, Norman Manea, and Czeslaw Milosz have all analyzed incisively the fundamental urge to take risks either to create or experience art during periods of the political repression endured in Eastern Europe between 1945 and the fall of the Berlin Wall in 1990. Shostakovitch and Prokoviev composed great works in absurdly compromised circumstances, and recent Chinese writers like Gao Xingjian (*Soul Mountain*) and Dai Sijie (*Balzac and the Little Chinese Seamstress*) have turned their own experiences of taking risks for, respectively, the production and consumption of art and literature during the Cultural Revolution into compelling fiction. A recent copy of the American Symphony Orchestra League’s magazine *Symphony* contains a harrowing account of the mortal risks that were taken in death camps to produce and perform Verdi’s *Requiem* and the profound motivations for taking those risks. We could all triple this list in minutes, from the appalling and prolonged armed aggression of Renaissance Italian City States all the way to the present moment. “*Taking Risks in Times of Relative and Qualified Uncertainty*” has a little less panache to it as a title, but it may be more accurate in describing current conditions.

Here then is an important conundrum at the heart of arts management. Arts leaders readily acknowledge the continued prosperity and broad historic stability of their operating environment, but these objective facts are at odds with – indeed are flatly contradicted by – their visceral sense of the challenges faced in keeping the show on the road. And the difficulties they experience tend to diminish both their capacity to take risks and their appetite for those risks, given the organizational consequences. They experience, in effect, a disjunction between the safe ‘facts’ of relative domestic peace and prosperity and the often-fraught reality of their *modus operandi*.

This odd condition stems from the simple fact that both are true. However, unlike the victim of clinical depression or anxiety, where the root cause of cognitive dissonance is in some chemical imbalance causing the emotional and the objective (or socially constructed) realities to drift apart, the causes of the dissonance we experience between life inside and life outside our institutions are financial and organizational rather than pharmo-psychological. These causes and their implications are explored below, and the concluding section suggests ways in which more aggressive and conscious management of their effects may be required if arts organizations are to protect their core obligations.

3. Diseases of the Rich?

In both the United States and Europe, the discipline of political science in the 1970s was filled with erudite theses on ‘ungovernability’. The basic line of argument was that democracies were growing inexorably more difficult to govern for lots of complicated reasons that no one could do anything about. Western civilization was going to hell in a hand-basket driven by the plebiscitary impulses of politicians who were prepared to debauch the currency to win over an electorate whose desire was

simply to maximize its own short-term gain. Commentators from left and right had different spins on the argument, but the determinist thesis of inexorable decline was as widespread as it was, it turned out, wrong.

It is possible that we have talked ourselves into a similar mindset with respect to the manageability of cultural institutions. The current variant of the ‘ungovernability’ argument runs broadly as follows:

- Cultural organizations play – and are expected to play – an increasing number of roles in contemporary society, and their specifically cultural roles have been joined by, and often overshadowed by, more ‘instrumental’ responsibilities as agents of economic development, tourism, education (or at least edutainment) and social cohesion;
- Attempts to fulfill these roles satisfactorily have placed overlapping demands on institutions for which they are not necessarily funded or staffed adequately;
- The more recently articulated roles are generally the more easily funded, and many arts organizations therefore experience increasing difficulty in advocating – or indeed in some cases even articulating – their more traditional functions and responsibilities in a way that is sufficiently compelling to secure the funds to resource them;
- They therefore experience – and can be expected to continue to experience – increasing organizational and financial stress, caused by a mismatch between the expectations placed upon them both internally and externally and their capacity to meet them;
- These stresses are compounded by rapid environmental changes caused by globalization, technology, pressures on leisure time, demographic changes etc. etc..

It is a powerful argument and it is rehearsed and refined in part or in its entirety whenever a group of senior arts managers are put in the same room together for any length of time. There is a further step or two to the argument that can be added to reflect the observations made earlier about artistic risk:

- Many of the newer, more instrumental responsibilities that arts organizations have embraced are often inimical to the protection of informed artistic risk-taking. There is an innately problematic relationship between the transgressive modus operandi of artistic expression and the agendas of community builders. They may well coincide on a given issue, and the coincidence can be a source of strength to both art and community, but an arts organization needs to be able to choose the terms of its engagement with power. Organizations that are freighted down by wider civic responsibilities and the financial obligations that are required to exercise them risk losing that ability to make choices – especially when financial survival is dependent upon the ability to demonstrate effectiveness as an instrument of someone else’s policy;

- This dilemma has grown more acute as the criteria that funders expect to be met have become more explicit and the methodologies of evaluation more exacting, which in turn has led to a greater interest in those areas that can be measured and a neglect of interest in many of the ineffable qualities that are the *raison d'être* of artistic expression. Whether the source of funds is the public sector, foundations or corporations, they are all increasingly strategic in their purposes, increasingly willing to call the organizations they fund to account, and less and less willing to fund general operating costs as opposed to the variable costs of specific programs that further their strategic agendas. Relatively few of these agendas are related to artistic endeavor per se, most are related to the way in which arts institutions can contribute to the furtherance of wider social agendas – ‘coercive philanthropy’ in Robert Brustein’s evocative phrase;
- In seeking at least a partial escape from this dilemma, many organizations look increasingly to new sources of earned income – expanded retail and catering, licensing, partnerships with for-profit organizations etc. etc. These can absorb considerable time and effort from senior management and board members that displaces attention paid to core functions and pushes organizations into new and unfamiliar areas of risk – and that as often as not tempt organizations down the path of imagined cross-subsidy that subsequently fails to materialize;
- Many of the organizational and physical means required to dispatch the newer, more instrumental ends that arts organizations pursue are themselves often inimical to risk-taking. The inclusive, often cumbersome, structures of governance; the generally consensual and process-heavy nature of the managerial paradigm that has become received wisdom for non-profit management in the United States; and the rapacious demands of planning, constructing, occupying and maintaining high profile civic buildings (a.k.a. the edifice complex) all militate against the maneuverability and entrepreneurial opportunism that is the breeding ground of artistic innovation – and indeed of commercial success.

These are reasons, the argument might run, that so many arts organizations are challenged in finding the audiences they crave, the creativity in production and presentation that their missions mandate, and the culture of experimentation and tolerance to failure that the creative process requires. Indeed some arts organizations are, perhaps, morphing into something else: hybrid agencies geared up to support complex, broad-based social agendas. The risk is that the exigencies of financial survival and the level of activity at which these organizations aspire to operate requires the adoption of roles and responsibilities that threaten to snuff out their informing creative impulses.

A recent overview of the history and philosophy of the community cultural development movement provides an interesting contrast. The movement is no less ‘instrumental’ in its uses of culture but has a much more obviously conflicted relationship with the *status quo*.

Conflict lies at the heart of community cultural development work, though its ability to resolve conflict is limited. Community cultural development work is grounded in reciprocity and authentic sharing...[W]here there is a pronounced imbalance in social power between conflicting parties, it may emerge that real material interests cannot be reconciled.⁴

This area of cultural activity is notoriously hand-to-mouth, organizationally attenuated, and marginal to – and often actually antithetical to – much of the agenda of those who support larger, better established arts organizations. Its purposes simply make it an improbable vehicle for many funders’ agendas, as do its methods:

Although projects may yield products of great skill and power (such as murals, videos, plays and dances), the process of awakening to cultural meanings and mastering cultural tools to express and communicate them is always primary. To be most effective, projects must be open ended, leaving the content and focus to be determined by participants. “Action research” – whereby the direction of a project is focused through experimentation with different approaches to gathering relevant material, each producing new learning – is a key element to community cultural development work. Social and cultural creativity are paramount. Freedom to experiment and even to fail is essential to the process.

Attempts to make projects conform to predetermined models remove them from the category of authentic community cultural development.

Notwithstanding its outsider status, there is much in the community cultural development field that more securely established arts organizations aspire to adopt. The rhetoric of social engagement adopted by better-established organizations often appears cut and pasted from the manifestos of more activist peers. But then, in contexts such as fundraising pitches to corporate sponsors, the rhetoric looks cut and pasted from the brand management guidelines of the most sophisticated advertising agencies.

The danger, of course, is that cultural institutions, in embracing the scale and complexity of tasks that are in principle open to them, risk losing sight of the one thing for which they *alone* are responsible – providing a context in which risks informed by artistic motives can be taken.

4. Some tentative conclusions

Like its 1970s poli-sci equivalent, the arts management ‘un-governability’ thesis – the idea that the complex demands and scarce funding that most arts organizations face make effective management increasingly difficult, if not impossible – overlooks one important factor: that the successful leaders of arts organizations, like the politicians they have to be, *do* have choices about the priorities they pursue. They are not simply the victims of circumstance in which the capacity to exercise risk has evaporated under the heat of socio-economic forces that they are powerless to influence.

⁴ This and the following citation are taken from Don Adams and Arlene Goldbard, *Creative Community: The Art of Cultural Development* Rockefeller Foundation, 2001.

Many of the difficulties experienced in ‘taking risks in times of adversity’ result from having made choices about institutional agendas and priorities that either consciously downgrade the organizational priority afforded to artistic risk or, alternatively, unconsciously encourage the adoption of agendas or *modus operandi* that make it difficult to localize risk and hence to take it.

Here, unfortunately, it is necessary to lapse into the snappy lists that alienate most discerning readers of management literature, irrespective of the insights it may offer: “The seven habits of highly effective companies” / “The five essential truths of leadership” / “What the ambitious CEO can learn from Sun Tzu’s *Art of War*,” etc. etc.

An organization that wishes to extend its capacity to take risks will manifest at least three distinctive traits, and an organization that is indifferent to risk will not manifest these traits and may manifest the opposite traits.

The traits of the risk-informed organization are:

- A clarity about ‘what really matters’: an ability, in all the genuflections and acrobatics that are part and parcel of effective leadership in a brokered environment, to retain absolute clarity about what capacities and purposes the organization chooses to protect, what can be negotiated, and what is non-negotiable and *why*;
- A deep interest in understanding the wider environment in which it operates and the likely impact of changes in that environment on its own situation, so that it can ride the benign waves and dodge the reefs. The ‘world’ is not necessarily speeding up, despite the hype, but many of those bits of the world that have sped up are, coincidentally, exactly the ones that affect the behavior of audiences and funders. Arts organizations’ instinctive solipsism – often justified as a commitment to mission – needs to be tempered by an understanding of what commitment to mission entails. We are surprisingly incurious about wider trends in the operating environment and generally skeptical about devoting funds to understanding them, either our own or other peoples’, if that pre-empts funding spent on the sharp end of programmatic activity;
- An equal interest in its own organizational dynamics: the causal relationships that link programs, financial capacity and organizational capacity – the ‘iron triangle’ – that are different for all organizations in their details but that, if ignored, will always prevent an organization from realizing its potential because it is being dragged down by an inappropriate management or capital structure.

In the private sector, ‘maximizing rate of return on capital’ defines the first of these traits—it is the ultimate goal or mission, and the organization’s interest in the other two are driven by this. In nonprofit cultural organizations, life is more complicated. Mission statements can as easily disguise as illuminate core purposes. Even when simplified and clearly stated, those purposes are usually still multiple and nuanced,

and the promotion of artistic endeavor may – or may not – be first among equals. In any event it rarely stands alone.

The technical literature on the mitigation and management of risk is extensive and occasionally illuminating – although much of it assumes there are numerical values that can be deduced, which makes it difficult to apply in the often-qualitative world in which arts organizations operate. However, the literature can only make sense in the context of an organization that manifests these three characteristics. Without them, there is no purchase, no context, for risk management.

A significant element of the risk undertaken by cultural institutions is therefore a necessary consequence of their missions that needs to be managed effectively if those missions are to be protected. Other risks are imposed by a rapidly changing environment. Yet more stem from the interactions of increasingly complex goals adopted and the increasingly complex means required to reach them. The net impact is a lot of risk. The ability to manage these risks so that they do not jeopardize the continued viability of the organization is an attribute of any *enduring* arts organization. For some organizations, this may necessitate a reassessment of complexities and risks that are, broadly, under their control. The productive tension between the demands of continued viability and those of risk-taking represent the force-field in which the successful leadership of cultural organizations plans, manages and makes choices.

A NOTE ON THE VOCABULARY OF RISK

There is a fairly compelling – and increasingly fashionable – explanatory framework that is found under the rubric of ‘socio-biology’ and that searches for the roots of much of human endeavor in systemic risk avoidance. Many of our more fundamental social mores, legal codes and public institutions are informed, the argument runs, by the instinct to reduce risk through collective action, and the ‘thin veneer of civilization’ comprises, for the most part, risk successfully mitigated through the construction of social institutions and conventions.

One can go further. The psychological weight we bear from the irreducible, un-transferable rump of risk that we cannot avoid constitutes, broadly, the human condition. It is the human condition both to be continuously at risk from loss or harm or entropic decay *and* for some subset of that inalienable rump of risk to present itself in the form of *choices* – areas over which we can exercise, with widely varying skill and luck, a degree of free will. The debate about the precise proportion of inalienable risk over which we can in fact exercise meaningful choices, as opposed to just fooling ourselves that we are exercising it, is at the very core of philosophical debate about the balance in our lives between the role of free-will and the constraints of social, economic or genetic determinism.

In those circumstances when we *do* have some real say in the matter and choices to exercise, we struggle to come to a view, whether as individuals, families, societies, organizations, nations or supranational agencies, as to whether a given risk is worth the potential reward that may be a consequence of our taking it. The crude calculus we employ in these circumstances is:

Adverse outcome X probability of the outcome = risk;
Positive outcome X probability of that outcome = reward;
Where reward is clearly greater than risk, proceed;
Where risk is clearly greater than reward, desist;
Where risk and reward are more or less equal, then
either agonize ineffectually or be arbitrarily decisive,
depending on temperament (if you are an individual)
or structure and culture (if you are an organization).

Where we seek objective evidence, however quantified or qualified, for the probabilities that we insert in these calculations, then we describe the risk taken as *rational*. On the occasions where, having sought to inform our decisions, we are successful in finding relevant evidence that we can bring to bear, then we describe the risk as rational and *informed*. Where we have not sought evidence, we describe the risk taken as *rash*. Economists, for whom the calculus of informed choice is a cornerstone, have further sought to distinguish between calculable ‘risk’ and incalculable, unknowable ‘uncertainty’, a refinement that is sometimes useful in weighing the odds.

Some of the *informed* judgments we reach as to whether a given risk is worth taking are arrived at through the application of common – *i.e.*, communal – sense; others are (or would be if their grounds were laid bare) finely balanced and vigorously contested; some judgments – usually those of a financial nature – are arrived at

analytically through the application of sophisticated tools such as probability theory; yet others are reached viscerally – gut instincts – and intuitively, and their rationale is not readily articulated in words or numbers. Our *tolerance* to risk also varies: the more entrepreneurial we are, whether as individuals, organizations or societies, the more willing we are to trade high risks for high rewards.

Arts organizations, like other social and physical organisms, exist in space and more important in this context, through time; therefore they, too, find themselves in this existential fulcrum of risk and choice. Their *capacity* to exercise meaningful choices when presented with risk varies. They can have more or less organizational autonomy (the collective manifestation of free will) depending upon the crush of environmental and organizational factors noted above. There is also a wide variation in the extent of their understanding or awareness of the consequences of the risks they take – their choices can be rational, informed or rash; and their *tolerance* to known and understood risk varies – they can be more, or less, entrepreneurial.

The price of freedom, in Thomas Jefferson's famous dictum, is eternal vigilance. Perhaps some arts organizations have been less vigilant than they might have been in understanding the character of the threats to their freedom and the centrality of organizational autonomy to their mission. This is unsurprising given the siren song of programmatic and physical expansion and the gratifying thrill of invitations to the civic table. But this restricted existence is neither inevitable nor irreversible.