

**The Melbourne Institute and The Australian - Pursuing Opportunity and Prosperity
The 2003 Melbourne Institute Economic and Social Outlook Conference**

**Winsome McCaughey, Executive Director, Australia Business Arts Foundation
Friday, November 14 – 1.30 P.M.**

About AbaF

We are an arms-length company of the Commonwealth which has given us a charter - well summed up by the Prime Minister when he presented the AbaF Awards in August of this year:

“To bring together in a productive and enduring partnership, the wealth-creating sector of the Australian economy, with that sector of the Australian economy that not only generates wealth which the arts do, but perhaps more importantly, that entertains us, inspires us, explains us to ourselves and help us to build further that already very distinctive and proud image of what it is to be an Australian.”

AbaF has opted to work to achieve our charter through four main interlocking strategies:

- *Capacity building* – building the skills and knowledge of both the arts and business to themselves develop and manage mutually beneficial partnerships. This involves both training workshops and seminars on developing a business case for a partnership for business and the arts, backed up by advisory services on both commercial partnerships and through Artsupport Australia on cultural philanthropy. It also involves **adviceBank**, courtesy of KPMG, and **boardBank** courtesy of Marsh & Mercer.

Underpinning these activities is the development of our intellectual property – the guides: for business (Blue Book); the arts (Red Book); and case studies of best practice – now 90 of them in our three Gold Books – which in turn are based on the best of the partnership nominations we’ve received for the Awards; and the Purple Book – developed in conjunction with Ebsworth and Ebsworth. This provides a business case based framework for measurable legal partnership contracts between business and the arts.

- Our *Advocacy* strategies, aimed at raising awareness of the benefits the arts bring to society, and the benefits arts partnerships can bring to a business. That is, building a common culture in the marketplace where business comes to understand why it’s good practice to invest in or contribute to the arts; and where it’s “conventional business wisdom” to do so. Most of the advocacy takes place courtesy of our 70 AbaF Councillors – some of Australia’s most senior business leaders, who host functions where arts organisations’ representatives who’ve participated in our training, present to companies on what they do and benefits they could bring to a partnership.
- Our *Promotional* strategies include most importantly, our big annual showcase event the AbaF Councillors Awards Dinner - held annually over the last three years. This is hosted and paid for by the Councillors purchasing a table and inviting along other senior business colleagues who they think might be “ripe” for a business arts partnership. I’m proud to say that *The Australian* is one of our major partners for this most prestigious event, attended by 900 people including Australia’s leaders in business, arts and government, where the Prime Minister presents the AbaF Partnership of the Year Awards – together with the Richard Pratt Business Leader of the Year Award and the Dame Elisabeth Murdoch Cultural Leader of the Year Award; and
- Our *Communication* strategies – we produce both electronic and hardcopy Newsletters for those interested in finding out more about AbaF.

But in the brief time I have with you today I would like to canvass four propositions:

1. The arts are a powerful force for changing lives and creating communities.
2. Business investment in the arts constitutes sound business practice and governance.
3. The arts are a powerful force for enhancing business competitiveness.
4. Over the next decade, engagement with the arts could transform the way business operates in this country and help place Australia at the forefront of innovation and creativity - if investing in the arts becomes conventional business wisdom.

Proposition One

The arts are a powerful force for *changing lives and creating communities*

So often it's assumed that the arts are just the "top end of town", "the privilege of the silvertail, chardonnay set". But that's a long way from the reality of where the arts bite most in society.

AbaF likes to sum up the social, community and individual impact of the arts in the phrase: *Changing Lives, Creating Communities*. And so often it's private support that makes this possible. This is born out by overseas experience, where in the United States, a 10-year study, "Champions of Change", concluded that students can attain higher levels of achievement through their engagement with the arts. In the United Kingdom, arts school holiday projects for disaffected young people have cut local crime rates.

Let me give you just a glimpse of what I'm referring to in Australia:

- The Footscray Community Arts Centre in western Melbourne says, "... art [is] the beginning of change ... finding a voice and a sense of belonging are the two things common to so many social problems that don't have an obvious or a quick solution."
- A program of Jesuit Social Services, Connexions, helps young people aged 15 to 25 experiencing problems due to mental illness and substance use by offering a safe and creative way for them to develop their artistic skills.
- Somebody's Daughter Theatre Company, which started out working in women's prisons, enables people who are otherwise excluded from cultural and social life to use the arts to discover new pathways. They say they find that arts make an equal meeting ground; creates a space where there is no power base.
- Company B Belvoir has a project called Youth Off The Streets - a young people's theatre program that takes homeless young people, develops scripts and puts on performances supported by professional actors and directors. (And Sydney Airport is earning corporate status and reputation by supporting them.)

In fact we did a quick scan across the multitude of cultural initiatives being supported by just 30 of our AbaF Councillor companies, and found no less than 250 projects that were the kind of arts activities with the power to *change lives and create communities*.

AbaF's surveys of the companies with which we work, show that "strengthening community" is a main driver behind arts investment. Companies want partnerships that:

- demonstrate there is a "public service" or "public good";
- achieve social approval and clear community benefits;
- add value to the arts organisation in a way that cannot be achieved by other means.

And the companies find that community-based and participatory cultural activity:

- is relatively cheap and very cost-effective;
- can be developed quickly in response to local needs and ideas;
- is flexible and can change as required;
- offers a potentially high return for very low risk;
- can have an impact out of all proportion to its cost.

Nor is it just big global companies that are interested in sustainability and the ways in which business and arts can help build communities through creative partnerships. Many smaller, local arts and business groups are now working together to strengthen their localities. And increasingly, Australians recognise them as an essential part of life. Research commissioned by the Australia Council in 2000 and 2001 showed that:

- 83 percent of Australians attend some form of cultural activity (twice the number who attend a sporting activity);
- 85 percent think the arts should be part of the education of every Australian child;
- 88 percent of Australians place some value on having a creative skill.

Proposition Two

Business investment in the arts constitutes sound business practice and governance

Some thirty or so years back, Milton Friedman started expounding his thesis that the only social responsibility of a business is to increase its profits; and, ipso facto, it should be only the shareholders, not the companies who make contributions to the community.

Friedman's views left several generations of corporate boards and managers confused as to:

- Were they justified in contributing to community causes?
- Was it sound business practice to use shareholders' money to put back into the community? And if so,
- What was the rationale for doing so?

And the recent collapse of HIH and subsequent recommendations coming out of the HIH Royal Commission – which understandably emphasise the need for improved corporate governance and more transparent and responsible stewardship of shareholder funds, have further unnerved corporate managers.

(This confusion is not being helped by such muddled-thinking as appeared in an *Australian Financial Review* "Opinion" piece attributed to Prof Paul Kerin and Regina Hill last week: "Let shareholders play the donor card", in which they managed to talk throughout about "strategic investing" as though it were exactly the same thing as "giving". And throughout my address you'll note my continuing emphasis on use of the word "investing" here as compared to "giving".)

Now while I'm of course no supporter of the kind of indiscriminate and non strategic giving away of companies' profits at the Chairman's whim, for the Chairman's glorification – nevertheless the Friedman thesis is seriously limited and flawed – as I think is being recognised by the companies around the world who are starting to take corporate social responsibility and their role as good corporate citizens very seriously.

To start with, as I understand it – and I'm a philosopher not a lawyer – fundamentally there are two sets of entities recognised by the law that underpin a democratic society. There are *individuals* and there are *incorporated bodies*.

So my first question is: Why is it only the individuals who have responsibilities to their communities? Why not companies?

I think Andrew Lumsden, partner with Corrs Chambers Westgarth, summed it up succinctly in his letter to the Editor written in response to the AFR Opinion piece. He speaks of the way Kerin and Hill "*totally misconceive the role of corporations in our society*"... "*Like all of us, companies are part of a wider community. They are not just profit-generating machines. They exist as a result of people: people with real needs and expectations; people who live in a community.*" He goes on: "...*Being a part of the community and acknowledging the importance of non-material issues in the community will, in the long term, build shareholder value. The corporation ignores its place in the wider community at its peril. To undertake simplistic calculations to demonstrate that shareholders are being deprived of profits fails to recognise that companies are more than the desires of their shareholders.*"

I agree with Andrew. And my counter thesis to that of Friedman is that business investment in the arts constitutes sound business practice on at least two main levels:

Firstly, it's good practice on the level of individual companies – most of the 300 plus companies AbaF has been working with over the last few years find they do have a sound business case - that it makes good commercial sense for them to invest in arts partnerships.

Secondly, the arts are a powerful force for enhancing the business competitiveness of clusters of companies in their regions – whether these are local, national or global regions.

The Business Case approach

Much of AbaF's work is involved with assisting both arts and business. When we talk about taking the Business Case approach, we're referring to the exchanging or trading of benefits through partnerships.

Assisting a company develop their Business Case for investing in the arts involves helping them to identify the straight commercial benefits they could derive from an arts partnership, and then, the kinds of arts organisations likely to be capable of delivering them those benefits.

We annually survey the 300 business clients we work with in any one year, and they tell us that they are getting tangible commercial benefits from being involved in arts partnerships.

And I'm also happy to report that the companies with which we've been working also indicate that they have increased their private support for the arts over the last three years by 82 per cent!

(I want to stress again here that the process of governments making grants to the arts and donors making gifts to the arts are completely different approaches. There are some companies happy to simply donate and not expect to derive a direct benefit to their business because they can see it will benefit their local community, but they have tended up till now to limit their donations to what they see as other more needy community good causes – to people with disabilities or other disadvantages, to salinity, to relief for disasters, drought, etc. This is because there's been so little recognition of the powerful role the arts can play in changing lives and creating communities - but that's another story and one Sam Lipski tells.)

The benefits companies can derive from arts partnerships can be clustered into four main areas:

- enhanced corporate reputation;
- networking;
- market positioning; and
- staff advantages.

Let me share with you the kinds of benefits that were exchanged between the company – Sun Microsystems, and the arts organization, Musica Viva, winners of the AbaF Business Arts Partnership of the Year Award for 2003.

In the words of Jim Hassell, MD of Sun Microsystems (also an AbaF Councillor)

"We've sponsored Musica Viva now for 12 years and its about actually driving a partnership and getting something out of it for us as a company and something for Musica Viva. It spreads far beyond just passing over the cash that allows Musica Viva to provide music and education for schools, for remote communities and more. We drive this relationship very hard to get the things we want to get out of it."

For the Business Partner the benefits of this winning partnership were:

Reputation Benefits

Reputation enhanced through association with Musica Viva's excellent musicians.

Networking Benefits

Networking opportunities at MVA concerts / events with corporate and government leaders and clients.

Market and brand Benefits

- Raised awareness of Sun's brands and products through exclusive recognition of Sun – with the Sun logo appearing on 1 million items in 2002;
- Closer relationship with MVA's customer base;
- Direct access to MVA's 50,000 database and 5,000 subscribers;
- Naming rights to Sun Microsystems Yarra Valley Festival.

Employment Benefits

- Creative and motivating activities for employees (e.g. TaikOz workshop) improve morale and increase productivity;
- Access to Menage series for all Sun employees;
- Staff development for marketing interns by working with MVA on the partnership;
- Opportunities for staff to participate in concerts free, or at discounted rates; CDs etc;
- Opportunities for staff to have "behind the scenes briefings from musicians and musical directors.

Financial, Operational and Other Benefits

- Overall sponsorship benefits worth more than \$750,000 per annum;
- Music commissions for special occasions, e.g. 20th birthday, Managing Director's farewell;
- Assistance working with the education sector through MVA's Music in Schools Program;
- Performer CDs sourced specially for Sun.

For the Arts Partner the benefits of this winning partnership were:

Reputation Benefits

- In a position to maintain their reputation for diverse, excellent programming and alignment with a company with a reputation for innovation and excellence;
- Better positioned to attract other partners because of endorsement from a leader in the IT industry.

Networking Benefits

- Many networking opportunities with corporate, government and community leaders.

Market Benefits

- Access to Sun's 10,000 strong audience of customers, partners and employees;
- Exclusive concert opportunities to perform for Sun staff and clients;
- Access to new audiences through Sun's corporate entertainment programs;
- Local audience growth 24 per cent from 1991 to 2001.

Employment Advantage

- Increased opportunities for Australian musicians and composers (e.g. special compositions for Sun's outgoing Managing Director);
- Collaboration of MVA staff with Sun staff increases business skills and networks.

Financial, Operational and Other Benefits

- \$1.68 million support for MVA programs over 12 years;
- Reciprocal in-kind contributions add 20-25 per cent to the sponsorship package;
- Long term partnership provides financial security;
- Knowledge sharing on IT solutions, eg options for MVA computer systems;
- Cost saving benefits provided by Sun as a contra for MVA events.

I could give you hundreds more wonderful examples of strategic business arts partnerships. For example, another 2003 Award winner: the Transport Accident Commission and Wangaratta Festival of Jazz. TAC is the Victorian Government body with a responsibility to improve public safety on the roads. It has supported the Wangaratta Jazz Festival for 8 years and it's a great way to get across its road safety message in regional Victoria – "Drink, drive, bloody idiot" is one of the slogans of the festival. Shops and other local businesses get in on the act with displays and material promoting road safety. TAC provides the cash to ensure a successful and expanding jazz festival. The Festival brings huge economic and cultural benefits to regional Victoria, and the TAC message makes roads safer – especially in regional areas.

Business partner gains:

- Reputation, as it links TAC brand to Australia's premier jazz event;
- Goodwill generated in regional Victoria for the TAC;
- Forges links with community organisations, local business, schools;
- Promotes road safety messages in regional Victoria, specifically against drink driving;
- TAC is recognised as major sponsor by 95 per cent of those attending;
- Special ticketing options for TAC staff.

Arts partner gained:

- Reliable financial support enabling the Festival to add continually to the program every year – 30 per cent of resources needed to run the Festival ;
- Enhanced credibility – now recognised as one of best jazz festivals in the world– which helps attract other sponsors;
- Enhanced publicity and marketing opportunities – leading to increased public awareness of Festival ;
- Ability to employ Festival staff - including local students volunteers.

And there are hundreds more good examples:

Blundstones Boots with Tapdogs Dance troop (and more recently, Strange Fruit)

- Arts gained: \$20,000 and some cross marketing around Australia.
- Business gained: millions of dollars worth of publicity in Australia, New York and London.

Local Hotel and a jazz quartet

- Arts gained: Office space, phones, regular and increased audiences.
- Bus gained: Great reputation, live entertainment once a week.

Fashion house and a dance group

- Arts gained: Costumes designed and made free of charge.
- Business gained Opportunity to have their clothes modelled by dancers at fashion parades.

Legal firm and theatre group

- Arts gained: Free contract work and advice on intellectual property.
- Business gained: An in-house playwright helping their lawyers to communicate and present better in court, and tickets to entertain their clients, with behind the scenes stuff thrown in.

Removalist and a Music ensemble

- Arts gained: free moving of their instruments.
- Business gained: brand association that projected that they were "careful movers that could be trusted to move the finest, most delicate items".

Accountants and Art Gallery

- Arts gained: their finances managed.
- Business gained: special benefits for their top clients – ie, free advice on investing in the arts.

Staff development is one of the big areas of benefit. Janet Holmes à Court, AbaF's 2003 Business Leader of the Year, told her fellow business leaders at the AbaF Awards :

"There are three overwhelming reasons for investing in the arts:

- *It'll help you build a better business;*
- *it'll help you build a better community; and*
- *it'll help you build a better Australia."*

“Mixing your people with people who are creative, people in the arts, is enormously rewarding, enormously uplifting, enormously fulfilling – and hopefully some of their creativity might rub off.”

Michael Chaney, MD of Wesfarmers, puts it this way: *“All of us recognise the fact that corporate success relies on innovation and creativity in the workforce. There is no sector in Australia more characterised by these two qualities than the arts sector. The more our employees are exposed to that, with its mind-broadening advantages, the better.”*

Proposition Three

The arts are a powerful force for enhancing business competitiveness

I've just spoken of the way in which business investment in the arts constitutes sound business practice for an individual company when based on a business case approach.

Now I'd like to turn to second level: what we at AbaF call the Community Case for clusters of companies, operating within localities or regions, to invest in the arts. Or what Professors Michael Porter and Mark Kramer, writing in the *Harvard Business Review* in December 2002, call the “Competitive Context” in which successful business operates.

In the words of Carrillo Gantner, philanthropist, business director, head of the Victorian Arts Centre and winner of the inaugural AbaF's Dame Elisabeth Murdoch Cultural Leader of the Year:

“It is very clear that Australians want companies that demonstrate and promote ethical and people-focussed values ... They want businesses that promote civil society and community cohesion.”

And now businesses in Australia and around the world are becoming increasingly aware of the importance of the sustainability of the local and regional communities in which they are based. Increasingly they are seeing the links between the sustainability of their communities and their own company's productivity and livelihood. And that's the real definition of corporate social responsibility in my book.

(And please – with great respect to Graeme Samuels, can we please continue to speak of it as “corporate social responsibility” and not as Graeme suggested corporate social *sensibility*.)

But back to Porter and Mark Kramer who argue that:

“Companies don't function in isolation from the society around them. Their ability to compete depends heavily on the circumstances of the locations where they operate ... Competitiveness today depends on the productivity with which companies can use labour, capital and natural resources to produce high quality goods and services.”

On their analysis, a company's abilities to function effectively in these respects depend on the broader “contextual conditions” in the locality or region in which they operate. These economic, social/cultural and environmental conditions include the:

- presence of an educated, creative, motivated workforce;
- efficiency of the local physical infrastructure and regulatory framework; and
- size, stability and sophistication of the local market.

So there is a convergence of interests between the commercial underpinnings required by a cluster of companies (or corporate citizens) operating in a region, and the needs of local individual citizens – for both have a fundamental interest in the wellbeing of that region.

This directing of a fraction of corporate expenditure towards simultaneously producing social and economic gains for the mutual benefit of both the companies and the community, is the kind of thinking that is driving the growing global interest in Triple Bottom Line (TBL) reporting.

A set of guidelines for reporting on a company's TBL activities, *The Global Reporting Initiative*, has now been adopted by more than 180 major companies around the world according to a Price Waterhouse Coopers report released in January 2003.

Clearly the arts are making both a direct and indirect contribution to the economy and the community in a plethora of ways:

Direct revenue benefits

The cultural industries, especially performing arts, contribute directly to the economy through direct revenue impacts through primary spending, and secondary spending effects for related businesses such as restaurants and transport, tourism generally, with prospects for employment growth.

Earning export dollars

Any country capable of producing:

- plays like Cloudstreet;
- theatre companies like Company B Belvoir, Playbox, Black Swan, Bell Shakespeare
- a film industry with talents like Rolf de Heer, Paul Cox, Peter Weir, Jane Campion, Gillian Armstrong;
- actors like Russell Crowe and Nicole Kidman;
- composers such as Ross Edwards or Peter Sculthorpe and music companies such as the Brandenburg Orchestra and the Australian Chamber Orchestra;
- dance companies with the strength and imagination of Bangarra, Chunky Move and Sydney Dance Company;
- Writers like Peter Carey and Tim Winton;

...is a country that is also more likely to:

- produce competitive IT programs for business;
- export the best in educational services;
- deliver the best financial services for its region ;
- take the lead in high-tech engineering, bio-technology and research.

Social and cultural capital

The arts enrich our social capital - the processes between people that establish networks, norms and trust, that facilitate coordination and cooperation for mutual benefit, that build the confidence and skills of a people. These are essential ingredients in civil sustainable society. Professor David Throsby, chair of the NSW Government's Arts Advisory Council and a recognised authority on the economics of the arts, speaks of the way in which cultural capital embodies both tangible assets – buildings, artefacts – and more intangible intellectual capital. He points out that the arts can foster greater social cohesion, creativity, a sense of shared identity, and are a force for lower crime rates and increased economic dynamism.

Attracting investment to a country and projecting a positive image globally

Premier Carr, speaking recently at a NSW AbaF Chapter function to Sydney's most senior business leaders, explained it this way:

"Remember the lessons of the Olympics. They portrayed an image of Sydney and Australia that had not been seen before. After the Olympics we felt different, we were viewed differently. What was different? ... We showed the world something it didn't know about us – and perhaps didn't expect. They expected us to win medals. What they didn't expect, perhaps, was the creative accomplishment of the Games, our organisational verve, our dazzling opening and closing ceremonies. In that opening ceremony, our dancers, actors, singers, artists, choreographers, designers, directors captured hearts and minds. And business benefited from Sydney's increased prestige – as a business centre, a financial hub, a tourist destination. So your involvement in the arts reinforces the identity of Sydney – first locally, then nationally, then globally. This benefits both business and the arts."

Michael Chaney – winner of the inaugural Richard Pratt AbaF Business Leader of the Year Award says that: “It is in all companies' interests for Australia to be seen abroad as a sophisticated nation – and one of the key requirements is a creative, vibrant arts sector. That is important, whether to attract people to buy our more sophisticated exports, to invest in our shares, to visit our shores or to take our opinions seriously. Perhaps that is the clearest and most compelling reason for corporate Australia to make a serious contribution to the development of culture and the arts in this country.”

Creative thinking / innovative solutions

The arts help to provide innovative solutions build bridges and express differences positively, not just for the individual but for whole communities. Again to quote Michael Chaney:

“All of us recognise the fact that corporate success relies on innovation and creativity in the workforce. There is no sector in Australia more characterised by these two qualities than the arts sector. The more our employees are exposed to that, with its mind-broadening advantages, the better.”

Proposition Four

Over the next decade engagement with the arts could transform business in this country, helping place Australia at the forefront of innovation and creativity - if investing in the arts becomes conventional business wisdom,

The challenge

Business investment in the arts in this country – while still small, is already making a big difference to Australia's cultural life (through sponsorships, partnerships and donations) But it's still only a tiny fraction of total number of companies that are involved – less than 1 per cent.

And life is very tough out there as an Australia Council report launched this week by David Throsby and Virginia Hollister showed. It found that there are some 45,000 artists living below the poverty line, and the rest are not faring much better .

And we hear that sponsorships generally (not partnerships) are going through tough times too. Sports sponsorship is reported to have dropped \$100M (from \$1.2b to \$1.1b) according to October media reports.

What I hope is that within the next few years AbaF – instead of working with only 300 or so major companies in this country will be reaching and influencing tens of thousands to get involved. I'd like to see us be really smart and start building on some of the very sound model partnerships between business and the arts already happening out in the marketplace, being driven and supported by some of Australia's most enlightened and far thinking business leaders.

We do need to broaden and increase private sector support for the arts – if business and the arts are to grow together and prosper together.

John Bell, Australia's greatest Shakespearean actor and business entrepreneur extraordinaire, summed up the value of arts to the business community when he won AbaF Cultural Leader of the Year Award this year:

“I'm not talking warm and fuzzy here, I'm talking hard facts. It's been proved beyond doubt that a flourishing arts community contributes to the mental and physical health of a nation. It stimulates creative thinking on issues spiritual and ethical. It rouses the imagination and fosters a national spirit that is fearless, resourceful, clever, witty, adventurous, lively, innovative, self-reliant, self-critical, self-respecting, dignified, compassionate, and independent, confident of our place in the world. And if that's not good for business, I don't know what is.”

To quote Premier Carr again: *“The future in business in the 21st century belongs to companies with ideas, with creativity, a spirit of innovation and adventure;*

- *companies that – like the arts – push the boundaries, test the limits of what is possible;*
- *companies that can engage with an alert, sophisticated, well-informed market base nourished on all that is best in our imaginative and creative spirit. “*

If I had to reduce my four propositions down to one single message to leave with you, it is this:

Undoubtedly the arts need the support of business. But in a more profound and lasting sense, business needs the support of the arts.

The opportunity offered to you by our Foundation is to help us make that happen for your business and our country.

The last words go to two of the winners of AbaF’s Dame Elisabeth Murdoch Cultural Leadership Award:

John Bell: *“The arts stimulate creative thinking on issues spiritual and ethical. It rouses the imagination and fosters a national spirit that is fearless, resourceful, clever, witty, adventurous, lively, innovative, self-reliant, self-critical, self-respecting, dignified, compassionate, and independent, confident of our place in the world. And if that’s not good for business, I don’t know what is.”*

Carrillo Gantner: *“The artist’s currency is creativity, emotion and imagination. For business, the currency is the bottom line. Business generates wealth and jobs that build community. Arts generate passion and ideas that define community. Artists need wealth and jobs. Business needs passion and ideas. A healthy community needs both.”*