Developing
Organisational Resilience

A Guide for Music Education Hubs

Updated October 2019

Nigel M Taylor

Supported by ARTS COUNCIL ENGLAND

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Prelude

This guide was commissioned by Music Mark, supported by Arts Council England. It was written as part of a larger programme of support, focused on organisational resilience, and especially financial resilience. It is hoped that it would enable colleagues to consider how they might meet the challenges borne of the ever-present turbulence in the education sector - continuing growth of schools' autonomy, through fragmentation of schools' constitutional arrangements, ever-increasing accountability measures, reductions in curriculum provision, difficulties in workforce recruitment, retention and downward financial pressures on schools and families.

First published by Music Mark in January 2019, the guide was used as the basis of a training programme for Music Education Hub Lead Organisations, run in eight centres nationally during the spring term of 2019. This updated edition of the guide takes into account issues and ideas that emerged during those training sessions and the subsequent support provided to individual Hub lead organisations in the summer of 2019. Some of the guide's original text has been revised and a couple of new sections and sub-sections have been added. It is hoped that a "further reading" list may be added in the future, as an appendix.

The guide is focussed on organisations: their strategic positioning and operational development. A Music Education Hub can only become more resilient if its lead organisation and delivery partners grow their individual and collective resilience. The guide poses key issues and questions in business modelling and in financial design and planning, to encourage consideration of further improvements in a vibrant and sustainable music education offer and provision for children and young people.

For some, this guide might be stating the obvious, and be simply common sense or good practice. For others, it may provide new ideas and approaches to stimulate thinking and planning. It is hoped that by bringing the obvious and the new together, it may give colleagues a fresh lens through which to consider how their organisations operate now, and in the future.

Using the guide is a matter of individual approach. It isn't meant to be read or digested in one sitting, but rather something to dip into as appropriate. Importantly, the guide does not constitute advice on how an individual organisation might proceed, or undertake specific actions to develop resilience. That is a matter for organisations to decide.

I am indebted to many colleagues in the field of music education who have given me the opportunity to learn so much from them, from what they have done over a number of years, and what they are continuing to do in developing resilient, resourceful and impactful organisations. Much of this document is borne of their long-standing generosity in sharing their wisdom and experiences, and I am especially grateful to Bridget Whyte, John Callister, Ciaran O'Donnell, Peter Smalley and Graham Standley for their insightful contributions.

Thank you to Ciaran O'Donnell for his valuable input into the planning and delivery of the training programme in spring 2019, and to Rosie Lowe and Stephanie Kennedy at Music Mark for their formidable administrative support throughout.

Nigel M Taylor
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Section A What is "Organisational Resilience"?

A.1. Organisational Resilience defined

"Resilience" as defined in the Oxford Dictionary:

- (of a person or animal) the ability to withstand or recover quickly from difficult conditions.
- (of a substance or object) the ability to recoil or spring back into shape after bending, stretching, or being compressed

Martin and Sunley[1] argue that 'organisational resilience' can exist in three modes:

1. An organisation can 'bounce back' from shocks - rebounding as quickly as possible to a previous state, (with an implicit assumption that the previous state was stable)
2. An organisation has the 'ability to absorb' shocks - with a focus on maintaining the same structure, function and identity in the face of shocks (a capacity to absorb disturbances and still retain basic function and structure)
3. An organisation develops 'positive adaptability' in anticipation of, or in response to, shocks (an ability and capacity to adapt structure, functions and operations in the face of new conditions)

If 1.and 2. above are "bouncing back",	then 3. above is "bouncing forward"
Surviving	Thriving
Enduring	Evolving
Strength	Flexibility & adaptation
Returning to prior state	Change
Preserving core mission/goals	Developing mission/goals in the light of changed circumstances and needs

[1] 'On the Notion of Regional Economic Resilience: Conceptualization and Explanation,' Journal of Economic Geography, Volume 15, Issue 1 (2015). See also James Simmie and Ron Martin, 'The economic resilience of regions: towards an evolutionary approach,' Cambridge Journal of Regions, Economy and Society, 3(1), pp 27–43 (2010).

Gerry Valentine, 20 April 2018, on Forbes.com

> "The easiest way to understand [organisational] resilience is to first understand how it gets derailed, and that's often through a destructive process….the "fear, adversity, paralysis cycle." When faced with adversity, we all feel fear. It's a fear that we won't be able to overcome the adversity. The problem develops when the fear becomes a paralysis that prevents us from responding productively to the adversity. And the paralysis always leads to even more adversity -- either the original adversity worsens or a new one arises.
>
> So, how do we break the cycle? The solution is about understanding one thing: There's nothing wrong with being afraid. It's what you do when you're afraid that matters. Here's a different way to look at fear. The fear that naturally comes with adversity is a signal that you're standing in front of an opportunity. You can think of the fear as a springboard on which to leap from adversity into a new opportunity. I call it making a courageous leap. Resilience isn't about being fearless; it's about acknowledging the fear and taking courageous leaps, rather than getting trapped in paralysis."

So, for any organisation, resilience could be said to be the ability to not only recover from difficult conditions ("shocks"), but also to:

- forecast their likelihood, form, timescale and potential impacts,
- have iterative planning in place to withstand or manoeuvre around in the short term,
- have worked-out options to be able to transcend them in the medium and long terms.

Resilience isn't necessarily about returning to a previous shape, but perhaps an adaptive process of becoming more flexible, more proactive, more fleet of foot, more responsive, to stay ahead of prevailing conditions so as to provide the best musical learning opportunities for children, young people and others now and in the future.

**"If you always do what you've always done,
you'll always get what you've always got."**

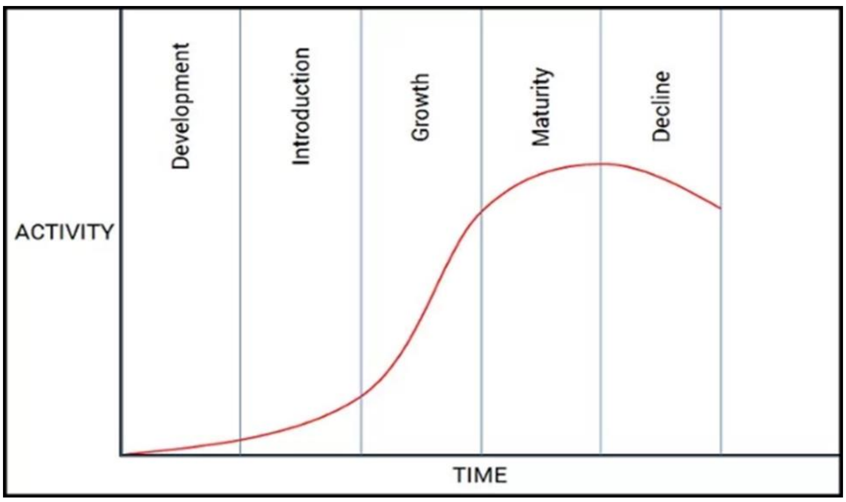
A quotation variously attributed to such authors as Anthony Robbins, Albert Einstein, Henry Ford and Mark Twain. In this turbulent landscape, if you always do what you've always done, it may be unlikely you'll get what you used to get, and you might even increase your vulnerability as an organisation.

A.2. Organisation Behaviour and Management

Another way to think about Organisational Resilience is through theories of organisational behaviour and management.

Charles Handy is an Irish author and philosopher specialising in such theories and has published many works on the topic. He espoused the concept of "The Sigmoid Curve," in his book "The Empty Raincoat" of 1994 (ISBN 0-09-930125-3) US printing under title "The Age of Paradox" (ISBN 0-87584-425-1).

He wrote: "Every living thing has a natural life span. So do products, projects, organisations, teams, relationships. Life cycles are everywhere. Imagine the Sigmoid Curve as the curve of life of an individual, an organisation or an entire economic region."



At first, and in a time of experimenting and learning, the curve rises slowly. It might even experience small declines. Then it begins to rise with more certainty, as confidence grows and successes are achieved and embedded. It reaches a peak of maturity, which can last a long or a short time. Finally it begins to decline, ultimately leading to its end. This is the natural curve of all life cycles.

> **"The challenge, to those who live through natural life cycles, is how to create new life from existing life, rather than to go down with the existing cycle and having to start from scratch again. This is a challenge that all organic entities face.... Many organisations don't survive."**
> *Charles Handy*

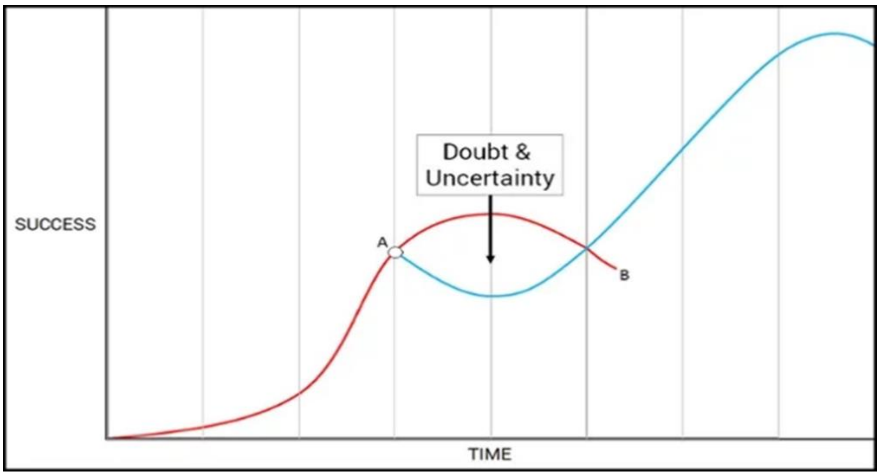
According to Handy, the key to sustaining a healthy life, or a healthy organisation or business, is to make a transformation to a new curve **before** the current one starts to decline. And then to continue to make transformations before each subsequent curve reaches its peak.

So for organisations, the development of a new curve, a new way of working, or the development of new products or services may well be crucial if they are to not only survive, but to continue to grow and thrive.

Organisations must know where they are in their present cycle or curve, and then plan for and implement the transformational change necessary. Too early in the cycle, and the successes of the current cycle may be lost. Too late and the downward curve, the decline, may have begun; when things are unable to be changed or turned around in time.

The key to future success is to have the foresight and courage to see the opportunities in the present cycle and then to make moves whilst things are going well. It may feel counter-intuitive to embrace change when all is going well but, when planned well, it is the best possible time because of the potential availability of time, resources, and strength of morale.

Making changes, especially large changes, when things are going well, may produce considerable doubt and uncertainty, especially in staff and stakeholders, who may not see a need to change, especially if things are successful they are not privy to what might be on the horizon.



Staff and stakeholders may be resistant to the idea of change ***because*** things are going so well. Some may be resistant because it disturbs their well-established work routines and practices. For some it may take them out of their current comfort zones.

Some may think it might be the right change but at the wrong time. Or they might just think it's the wrong change. Period.

We've all encountered "If it ain't broke, don't fix it!" The questions for staff and stakeholders are:

- Do we know it ain't broke?
- How do we know?
- What does the evidence tell us?
- What's on the horizon that, if ain't broken now, may break it in the future?
- Even if it ain't broken in the future, will it be changed? How?
- What should we do? Ignore it? Pray for it? Think about it? Plan for it?

So, according to Handy, a new curve must begin whilst the current one can still support it. This will usually be at a point on the curve before the peak of success has been reached, and certainly before any decline has set in.

The challenge is to know when to start the new curve. Perhaps some of our best intentions fail because we miss the ideal time for transformation.

How do we know where we are on our current curve?
How do we know if we might need to change?
How do we make sure that we not changing just for change's sake?
How do we know when is the right time to initiate a new (or subsequent) curve?
How do we convince staff and stakeholders of the need to begin a new curve?

A.3. What has "organisational resilience" got to do with Music Education Hubs?

If there is a moral duty, an educational imperative and a musical responsibility to ensure that every child and young person has the opportunities to access, learn, make progress and achieve the highest standards of music making to which they aspire and are capable of, irrespective of their backgrounds, circumstances and challenges, then building resilience is a fundamental element for any music education organisation to thrive. And in the context of the current National Plan for Music Education (NPME) and any future iterations, building Music Education Hub-wide resilience is vital.

A Music Education Hub (MEH) is a way of working. It is a group and range of sovereign organisations that choose to work together, in partnership, to deliver on the key aims and objectives of the National Plan for Music Education (NPME), and, in many cases, more besides. There are as many shades to partnership working as there are the number and range of organisations working together, whether it be in joint-working, co-working, collaborative-working or tangential-working. A MEH cannot itself develop resilience. MEH-wide resilience is underpinned by the individual and collective resilience of its lead organisation, its delivery partners and the leadership of those organisations.

A MEH is not a lifetime bond or contract. Partners, and even lead partners, might come and go, sometimes for the right reasons, and sometimes perhaps not. A vibrant, future focussed partnership might regenerate several times over its life span. The key is how to attract and maintain those organisations that fit best and contribute most at any one time, and how to "let go" those who either bring little to the partnership or those whose contribution diminishes significantly over time. The art of "strategic quitting" is an important element in developing resilience – stopping doing particular things, stopping working in a particular way, stopping a relationship that isn't productive – and replacing with better ways of working, with better partners, doing better things.

Organisational resilience is a way of thinking, forecasting, working, planning, operating, monitoring and evaluating, that could and should be promoted across the range of partners, even if, and especially if there are competing and conflicting tensions within the partnership.

Context is crucial. Not only the demographics and economics of a particular area, but also the constitutional foundation of organisations and especially the lead organisation. Some are local-authority run music services, or departments of a local authority. There is an increasing number of organisations that are constituted as charities, either individually, or as a section of a larger charitable organisation. Some have spun-out from a previous local authority existence, some have been set up from scratch. There are some that are Community Interest Companies, Limited Liability Partnerships, and some lead organisations that form part of larger private sector organisations. There is a small number of that do not provide services themselves but commission other partner organisations or individuals in the MEH to do so.

Each of these constitutional foundations brings different cultures, approaches and processes, especially in the way that finances are constructed, managed, monitored and evaluated. And whilst financial resilience isn't the only element in developing organisational resilience it plays the major role. This guide attempts to take this range of contexts into account. There may be some practices that are prevalent in the charitable and private sectors that local-authority run organisations may find helpful in their quest for developing resilience, and vice-versa.

If resilience is about being able to deal with "shocks", through forecasting, thinking, planning and then bouncing back or forward, then considering what might be some examples of future "shocks" in the education and music education sectors could be a useful starting point.

Political and economic uncertainties about Brexit, combined with the growth in pupil population, school budget challenges, a new OFSTED inspection framework from October 2019 and a myriad of other influences, make for a cloudy crystal ball and some difficulty in being specific. But MEHs need to take account of events that could have a significant impact on their future, of which some examples might include:

- The National Plan for Music Education expires in 2020. There is a commitment to a "refreshed" plan from April 2020 onwards. How would a MEH respond if the remit and prospectus of the new Plan changed? (For example in its targeted age range i.e. if it included Early Years and Foundation stage, young people aged 19-25+; or if the core roles changed, or reduced, or replaced or were removed).

- There had been a commitment from government to fund MEHs at current levels until the end of this parliament. Notwithstanding the DfE's surprise but much welcome announcement in January 2019 of small funding increases for MEHs to 2020, how would a MEH respond if this commitment to funding changed because of prevailing or new circumstances borne of political or economic instability? In particular what would be the implications should the DfE MEH grant reduce again, slightly or significantly, or be withdrawn altogether?

- In some areas of the country there have been some significant declines in the number of schools offering music in their curriculum. These include primary schools, secondary schools in some or all of Key Stage 3 and into KS 4 and 5. How would a MEH respond if that decline continues or even accelerates?

- Many schools are facing increased pressure on their budgets and there have even been some examples of schools asking parents to buy basic essentials. How would a MEH respond if downward funding pressures continue and market resistance to buying external services, such as music, increases further?

- A new OFSTED framework for inspection was implemented in October 2019. It increases focus on the curriculum in schools and particularly on its breadth and balance. How would a MEH respond if there was an upsurge in demand for its services, from primary, special and secondary schools?

- What if schools started to ask for different types of services that are not currently provided by a MEH (for example in technology or accredited examinations) or for different configurations of services that you do provide (for example less whole class teaching, more small group teaching)?

- MEHs that directly employ staff have already seen employment costs rise, in some cases significantly so, for example in the teachers' pay and pensions increases from October 2019. How would a MEH respond if employment costs were to rise again?

Once these issues have become clearer, and approaches and solutions are found, the next set of challenges for MEHs will be appearing on the horizon, or they may even be visible now, and just around the corner.

"There is nothing permanent, except change."

Heraclitus of Ephesus, Greek Philosopher, c. 535 BC – 475 BC

Section B How can organisational resilience be developed?

The ways in which an organisation thinks, understands, behaves, forecasts, plans, operates, and reviews form the foundation upon which resilience can be grown. Especially the extent to which the organisation's leader and senior colleagues "know" themselves, their environment, their organisation, their customers, their business model and their options for change.

These ways of "knowing" are considered below. They should be considered holistically rather than in isolation. The sections do contain overlaps i.e. one feature or aspect may well appear in more than one section. Whilst some of the sections contain a lot of text they are underpinned by key questions to serve as prompts, provocations and aides-memoir.

B.1. Knowing yourself

Organisational resilience starts with its leadership, with the character, traits and behaviours of the organisation's leader and senior leadership team.

Leadership can be hard and it can sometimes be lonely. It can be exhilarating and rewarding. But resilient leaders know themselves. They know themselves really well.

They have a deep passion for the work they do, for the people they do it with and for the impacts and outcomes for clients and customers, which they communicate in their words, body language, actions and decisions.

They have well developed values to which they are committed, including open-mindedness, inclusivity, dependability, reliability, commitment, loyalty, honesty, and pursuit of highest standards, which they know and exhibit in their day to day behaviours at work, and which underpin all they do.

They demonstrate their values and beliefs in an unambiguous way and articulate a clear and compelling vision for their organisation and its aims. They live their values through behaviours that they exhibit and model consistently to co-workers, partners, clients and customers.

They are self-reflective. They ask constantly “what could we/I have done better, differently, more effectively?” They actively seek feedback from others on not only the performance of their organisation, but also on their own individual performance as a leader.

Stubbornness can be a positive quality to possess, when defending something that is right. Resilient leaders don’t confuse stubbornness in defending something that is wrong with “being resilient”. Resilient leaders know they are not always right. They know that others in the organisation have equally good and sometimes better ideas.

They seek to learn from other people’s ideas, from feedback, from their own mistakes and from those of others. They rarely see criticism as unhelpful and, whilst no-one is totally impervious to criticism they seldom take it personally.

They know their working strengths well. They know what they are really good at. But they also have intimate knowledge of their weaknesses, and seek to address them through learning: learning from others, learning through training, through practising, through seeking other support.

Resilient leaders keep constantly abreast of developments and emerging trends. They are often well-networked and may have a range and depth of professional contacts, not only in their specialist field but also in the wider environment. They know who to trust and who to go to for advice and support. They know who they can call upon for confidential discussions to explore sensitive matters and key issues, and make time for doing it an absolute priority.

When times are good they know how to share the goodness with co-workers, customers and clients. When times are tough, they know how and where to go to ask for support, help and assistance for themselves and for others, but they know how and when to shield others from the most difficult aspects of a particular challenge at a particular time. They often see challenges as opportunities.

They model a good work-ethic for and with others. They rarely over-promise, or under-deliver. Whilst they might have an enormous workload, they know how to prioritise the most important tasks. They know how and when to delegate responsibilities to others and they know how to hold to account those to whom they have delegated. They don’t abdicate responsibilities; they are transparent, always willing to be held to account themselves.

Even with the largest of workloads, resilient leaders will always find time for others, but most importantly they will find time for themselves and their lives outside of work. They strongly believe in not only work-life balance of itself, but of the benefits it brings to themselves and everyone around them.

In short, resilient leaders have a deep, personal “knowing”; a consistency, persistency and strength combined with a radar, almost a sixth sense, to see what is around them, what might be coming, what their impacts might be, and what mitigations might need to be put in place, to learn from, and constantly to think how the organisation might bounce back, or bounce forward from shocks.

How well do you "know" yourself?
How resilient do you feel you are personally and professionally?
You know your strengths, but do you really know your weaknesses?
What do you do to overcome them?
How good are you at prioritising the most important stuff, not necessarily the most urgent?
What gets in the way and why?
How can you improve your prioritisation skills further?
Who is in your close and wider networks?
From whom do you actively seek support, help and assistance in both good and difficult times?
How consultative are you naturally? What approaches do you use to seek the opinions of others?
To whom can you delegate when you need time to think strategically or meet with a key contact?
What do you consider to be the differences between leading, managing and administering?
How do you apportion time to leading, to managing and to administering and how do you prioritise the roles and tasks?

B.2. Knowing your environment and scanning the horizon

Knowing the geography, boundaries and borders of a physical area is a given, as is knowing its demography, local politics and economy.

Knowing the ecology of schools in a local authority area(s) is obviously crucial. Not just their constitutional status as LA maintained, stand-alone academy, part of a multi-academy trust (MAT), or free school, but how they operate as individual organisations, their priorities, their challenges, and how they work in concert with others, formally or informally. The "culture" of individual schools is complex.

Some of it can be discerned from reading documents published by them or others. But rarely can the complete picture be known without meeting the key protagonists on a reasonably regular basis.

Building organisational resilience relies on good, factually accurate and reliable local "intelligence". Some MEH leaders spend a lot of time in schools, talking with their senior leaders and others. Some make it a priority to visit a number of schools per week, on top of Schools Music Education Plan (SMEP) visits, to network, to liaise, to fact-find, to keep abreast of developments and to keep the profile of the MEH high in schools' individual and collective consciousness.

Amongst any grouping of school senior leaders there will be a number who are key influencers – they are well known and respected by their peers and colleagues within the group and often further afield. Their ideas and opinions on a huge variety of topics and approaches are listened to, and in many cases heeded.

Knowing this fundamental ecology of schools gives understanding to the context of customers' needs and demands, as well as the needs and demands themselves.

The nature of a MEH anticipates that many or most of the key players operating in a local authority area(s) will be connected to the hub, perhaps as strategic partners, or delivery partners or associate partners. Interestingly there are some organisations that have a locus in music education that are not members of any hub. The reasons for this are varied. Sometimes because they do not "fit" the model of provision in an area. Perhaps because they are direct or indirect competitors – commercial competitors who have no interest in partnership working. Perhaps the quality of what they provide doesn't match the profile of the MEH. Perhaps they used to be hub members but relationships haven broken down. Or perhaps they cover more than one geographic area and/or deliver services not bound by the National Plan.

For some hubs, perhaps in urban conurbations or more densely populated areas, there are often numerically more organisations who may be willing and/or able to participate. For those in more sparsely populated areas, especially the large, predominantly rural counties there are fewer organisations. A number of hubs have thought beyond their immediate environment and looked well beyond their borders to partner with geographically distant organisations who might have a mostly "virtual" existence as a hub member, but who bring music education value in their online offers or support for the hub, schools, pupils and parents.

Similarly, there are organisations in a locality that may well be disposed to provide or offer support that is not related to direct music education provision, but have an affinity with its aims and/or its beneficiaries. Local authorities, local trusts, foundations and charitable organisations are always worth getting to know, even if they are, as yet, unlikely to provide immediate support themselves, they are often useful channels to open doors which you may not see or know of. Local Chambers of Commerce are sometimes useful organisations. More likely direct contact in and with individual organisations, through colleagues, board members, family, friends, can often bear fruit to provide in-kind support in, for example, marketing, advertising, legal advice, or sponsorship of advertising, activities, events, resources.

Scanning the horizon is not a dark art, but an important part of strategic positioning and planning for an organisation. Knowing what might be coming to affect and impact upon education, schools and music education in particular, is incumbent on all lead organisations of MEHs. It gives a basis for considering how best to be proactive in response.

Some do this by meeting regularly with hub partners and with other networks, in and out of music education, which can give a steer on latest local issues and thinking, regional issues, and opportunities and developments in the Department for Education (DfE) and/or in OFSTED and their possible implications for schools and for music. Some will tap into online "intelligence" from a range of organisations including Arts Council England, Music Mark, Incorporated Society of Musicians, Music Education Council, and Musicians Union. Some with pick up issues from social media. Twitter is especially adept at bringing up-to-date education and music education "news".

We are bombarded by a mix of facts, opinions, interpretations, spin, and in some cases, downright lies. Distinguishing between facts and gossip is a challenge. Filtering out the "noise" and getting to the nub of the facts is an important part of scanning the horizon. But sometimes those facts are hard to come by and we have sometimes to predict on the basis of things we don't know for certain - "if this happens in this way, then we might have to do this, if it happens in that way, then we may need do that".

There are local market competitors who sometimes exist because they are not operating at the same scale and perhaps are not subject to the same challenges that larger organisations face. Some operate by picking off those schools deemed to be low hanging fruit. In some cases it can even be staff of MEH organisations doing the picking.

Some organisations face the challenges of competition by:

- Focusing even harder on the quality of services and outcomes provided for young people and their schools, and innovating new services and ways of working

- Pursuing high quality in the delivery of all services; discussing quality and benefits regularly with customers and clients
- Developing and sharing the organisation's USP (unique selling point(s)) – being clear with clients and customers what really differentiates their organisation from others
- Developing sophisticated Communications and Marketing plans, which may include regular blogging, being active on social media, producing newsletters, meetings; making sure people know about them and know what they are doing - frequently.
- Celebrating their successes loudly; highlighting particular work and achievements with schools and their pupils, involving the press and media in regular "good news" stories
- Having a strong code of conduct for staff that articulates clearly not bringing the organisation into disrepute.
- Considering having time-bound restrictive covenants in certain contracts of employment e.g. "you cannot solicit a customer of the service whilst you are working as an employee, or within months of leaving the organisation."

How well do you know your environment, both the immediate environment and further afield?
How well do you know the ecology of schools served by your MEH?
How much time do you spend in schools, each week or each month? And for what purpose?
Who are the key influencers in your area? Do you have their ear and do they have yours?
Do you know all of the organisations in your patch, whether or not they are members of the MEH?
Who do they talk with, network with and operate with?
If they are not members of your hub, what are the reasons? Are those reasons still valid today?
Who are your competitors and what is their value proposition to your schools/ customers/ parents?
How well do you know your competitors and the truth of what they offer, rather than hearsay?
Who are the key players in your area who help you broker non-musical support, or could help in the future, and can affiliate themselves with your organisation's aims and values?
How far beyond your immediate environment do you look to seek potential partners who may add value (and even intelligence) not otherwise available in your locality, or in different ways?
How do you scan your horizon? With whom, by what channels, and how regularly?
What do you do to filter out the fake news?
What do you do with the good "intelligence", when, and with whom?

B.3. Knowing your organisation, its role and its governance

Most leaders would assert that they know their organisation well, especially if they have been in post for some time. They will often be able to tell, with great clarity, of the organisation's mission, aims and objectives, its structures, the services it provides, the number and range of staff, the strengths and weaknesses of its staff, the strengths and weaknesses of the organisation and knowledge of its key customers and clients.

It is when debates arise around the purposes of music education, and the roles that schools and MEHs each play, or should play, that some leaders might become less clear or less confident. It is no surprise, for indeed, the purposes of music education themselves sometimes seem unclear. Many have tried to set out those purposes in policies such as the National Curriculum and the National Plan for Music Education. And yet a clear agreement amongst and across the sector on what the purposes of music education are, seems to be as elusive as ever. Will the forthcoming new Model Curriculum achieve it? Will the new OFSTED framework encourage it?

Given the growth of schools' autonomy and fragmentation of constitutional arrangements, and the accountability and financial pressures they are under, schools are adopting different and varying approaches to the provision they make for music education. Many look to their MEH for provision of services and operational support, but how many schools readily engage in discussions on the purposes of music education with their hubs? Conversely how frequently do MEHs take a local lead in shaping arguments and debates on those purposes?

There is an obvious and evident tension between being a strategic lead on music education in a local area, and being a provider of services, often in a quasi-commercial context. This tension can sometimes lead to a wariness of upsetting customers with challenging issues and matters of principle. But a part of developing resilience is having the wherewithal to transcend the purely transactional relationship of selling services, and leading debates and developing policies that harness a range of views and approaches to the questions of purposes, and the roles that each member of the MEH, including schools should play.

Similarly, there is no universal agreement on what constitutes “good” music education, nor is there a single framework or approach to determine what is “good” or why. Knowing and improving the quality of what your organisation provides is an important part of growing resilience. But whilst there is much to be said of the mantra “quality always sells”, there is a range of views on what constitutes quality, and the benefits that good quality accrues in learners.

Most MEH organisations value learners’ musical progress as a high priority and many have locally developed schemes for enabling, supporting and leading pupils to make the best possible progress. Many MEHs also argue for the demonstrable personal, social and wider educational benefits that music education brings.

Having coherent, persuasive, real and agreed arguments on quality, progress, and benefits, both within your organisation and amongst its partners, clients and customers, is a part and parcel of knowing well the organisation and its role. Living those arguments in the reality of day to day operations, consistently, vibrantly, confidently and rigorously are an important step in growing resilience

Great teachers and tutors will often grow their work. They enthuse young people and gain the support of customers and parents. It is vital to develop good teachers and tutors and to respond with support and challenge to root out underperformance in the organisation where it is identified.

Governance

Having robust, supportive and challenging governance arrangements in place is a vital piece in the jigsaw of developing organisational resilience.

ACE has produced a helpful guide on MEH governance, which is available on its website. As a MEH is not, of itself, a separate or distinct legal entity, the ultimate legal and financial accountability for its work will lie with the lead partner – the organisation with which ACE holds the funding agreement. Being clear on where the legal and financial governance of a partnership lies is incredibly important in knowing where an individual organisation is placed on its quest to develop resilience, and therefore the resilience of a hub as a whole.

All MEHs have governance groups, variously called “hub boards”, “strategic boards”, “advisory boards” “steering groups” and others. Their purposes vary from MEH to MEH depending on local contexts and needs, but most are likely to include setting strategic directions for the work of a hub, discussing and approving business plans and budgets, identifying targeted provision in particular areas, giving advice to MEH leaders and planners and holding the MEH to account for outcomes and outputs. A heady mix of challenge and support.

The composition of these groups is a matter for local decision. Many will contain a range of stakeholders, most notably headteachers from primary, special and secondary sectors. Some will be representatives from local headteacher groups, but not all.

Some MEHs have officer representatives from the local authority and some may have elected members. Given that music education has a political backdrop (and most certainly the MEH grant does) those MEHs without elected members on their steering groups/advisory boards, may wish to consider their inclusion, especially perhaps those elected members with responsibility for children's services. Some MEHs have parents and young people on their boards. Others have representatives from the voluntary sector and some may have participants from business and commerce who have an interest in music education.

Effective governance groups seem to have a combination of a) strong terms of reference that clearly spell out their roles and remits and b) considered memberships that are representative of stakeholders AND have sufficient strategic thinking capacity and skills, and c) well-attended regular meetings that are focussed, strategic and effectively chaired (sometimes by an independent chair).

The purpose of this short section of the guide is to raise questions, such as, what type of governance group and range of membership will best support and challenge the strategic and operational functions of a MEH/your MEH? Is the governance group's membership best suited to helping the organisation develop resilience and think creatively, especially in turbulent times? Who is best placed to support thinking and planning for a new "curve" in an organisation's life-cycle? Who is able to advocate and to exert influence with others? Simply put, do you have the right people in your governance arrangements to help you develop your organisation's resilience?

Partnership working can be as exhilarating and it can be challenging. The need for all to understand the delicacies and intricacies of working within a partnership of sovereign organisations, each with their own distinct cultures, aims and ways or working cannot be overstated. It has been recommended that more research might be undertaken into the effectiveness of governance arrangements of MEHs in order to share more of what works, and what gets in the way of growing strong, resilient organisations and partnerships.

To what extent have the purposes of music education been discussed and/or agreed in your area?
What agreement has been reached on the roles different organisations, including schools, play?
How well do you know your organisation and the role it plays in defining purposes and roles?
What part might the recently announced "Model Curriculum" play in assisting discussions on purposes and roles?
How do the roles of service provider and Hub lead / partner differ?
How have you explored the possible tensions and what solutions have you arrived at?
How do you balance a need to ask courageous questions but potentially risk short term loss for longer term gain?
To what extent have notions of "quality" been discussed and/or agreed locally?
How well do you know the quality of what your organisation provides?
How consistently do you identify, challenge and support underperformance?
How clear are you about the governance of your organisation and of your MEH?
Are the groups that serve to govern your MEH best suited to the task?
Are their terms of reference sufficiently clear?

Is the composition of those groups made up of the right people with the best range of skills and experience?

B.4. Knowing your customers and clients, and what makes them tick

Organisations need to consider their audiences(s). Are they ‘Stakeholders’ or ‘Customers’, or both? Given the change in the schools’ landscape, the increased contracting with academies, parents, MATs, and partners, many organisations are now focused on supporting ’customers’. This is commercial language to some extent, but language that should be less feared in the current education system and climate.

For all MEHs, schools are principal partners and often principal customers. Their pupils are principal clients and beneficiaries, their parents and/or carers are part of the customer and partner profile and many MEH organisations deal directly or indirectly with parents for some aspects of their services.

Stating the obvious, every school is different. They might share common aims, some common structures, some common curricula, but they are staffed by individual human beings, charged with teaching other individual human beings. The “culture” of any school is individual to that school because it is driven by a group of individuals, senior and middle leaders, teaching and non-teaching staff, governors, trustees and others. Each group has its own distinct chemistry and generates its own “tone”. When one individual leaves and is replaced by another, and depending on the role of that individual, then so the culture and tone changes, sometimes slightly, sometimes hugely. But nonetheless it changes.

The point is being laboured here because, in the hubbub of daily life, we can sometimes overlook this chemistry and tone in our conversations and dealings with schools, or we underplay its significance in how they operate. Sometimes we might make false assumptions that similar schools have similar hopes, anxieties, foibles, priorities, and even similar ways of working and ways of behaving.

Getting to know the culture and tone of an individual school is as important as knowing its vision, curriculum, staffing and resources. Having knowledge of, and empathy for, a school’s particular circumstances is an important prelude to knowing what they want or what they might need.

Getting to know individual school staff, especially the decision makers, is of course vital. Not only are they all actual or potential customers, in many cases, some of them will be key influencers whose opinions and views carry enormous weight far beyond the confines of their own school fences. This can be especially true in Multi Academy Trusts (MATs) some of which transcend the geography of local authority borders. Some of these influencers could be amongst your biggest supporters. Some could be your most vocal critics. It’s important to get to know them and meet them and do what is necessary to continue to please them or to placate them.

Getting to know the ins and outs of schools budgets generally, as well as individual school budgets, provides key information on the “spending capacity” of the sector. But, of itself, it doesn’t give much clue as to the likely purchasing intentions of individual schools. Tracking trends of buy back over three to five years can, in some instances, point to shades of likelihood of future engagement, but in the end it is only by talking with schools and having them share their hopes and aspirations, as well as expressing their needs and desires, can MEH organisations be more certain about what is required.

Many MEHs use the vehicle of the Schools Music Education Plan (SMEP) as a way of finding out what schools feel that they want and/or need. Others use a mixture of the SMEP, bespoke individual visits, a range of meetings (either in groups or individually), feedback forms, online channels, order forms and other means.

The extent to which MEHs offer bespoke provision particular to each individual school's needs or wants is variable. Designing and providing such bespoke services is costly in development time and in implementation. Some MEHs have greater economies of scale, often because of their size, and with it sometimes comes the capacity required to provide such bespoke services. Smaller MEHs, on the other hand, may have a more intimate knowledge of their schools, and therefore perhaps have better knowledge of their needs to provide individualised services.

Sometimes MEHs offer a "one-size fits most" service line, which is entirely understandable in some circumstances. A question is to what extent do organisations know whether the one size does indeed fit well? Or would different schools value, appreciate, need, want or be better served by different configurations of the one size that might be "entry-level", "mid-range" "top-of-the-range", with each level containing proportionally more service, whether it be in duration, frequency, range, breadth, depth, and of course priced appropriately?

If determining schools' needs and wants is one side of knowing your customers and clients, then finding out the needs and wants of young people (and the needs/wants of their parents and carers, which may be entirely different) is another.

There is a range of views on the values of consulting with young people, how best to do it and what then to do with the information gleaned. Some MEHs have young people as members of their strategic board. Others have set up a Youth Forum or similar. Others take a more informal approach to gaining a perspective on young people's views.

It is not for this guidance to advocate one approach over another, but rather to posit that unless a MEH is tuned into prevailing perspectives and emerging trends in the views of young people (and their parents/carers), it can't truly "know" its customers AND its clients.

How well do you know your customers and clients?
How much in tune are you with the culture and tone of individual schools?
How clear are you on what schools really want or need?
How do you find out?
How flexible is your organisation in providing bespoke services to meet their needs?
On the other hand, would moving from a one-size fits all become a scramble to the bottom? (As in, they all hear about the cheapest offer and want it?)
How do you respond to 'just criticism' of your offer from customers?
How do you find out the views of young people and their parents/carers and how do you take them into account in defining and providing your service offer?
How do you balance those views of young people that may be insightful and profound with some that may be more ephemeral?

B.5. Knowing your business model, business plan, and its numbers

It is fascinating to watch a TV show like Dragon's Den and to see and hear a range of entrepreneurs seeking investment to support their inventions and new products and services. One of the golden rules for entrepreneurs in pitching to the dragons is that they can demonstrate they know their business model and they know its numbers. Without that, the chances of investment are unlikely.

And so it is with Music Education Hubs and each of their organisations. Knowing its business model, business plan and being intimately acquainted with its numbers - its finances – is a prerequisite to an organisation growing resilience. Effective leaders have regular, in-depth conversations about the nitty-gritty of their organisation's finances both with their finance officers and with those who act in governance for the organisation. Delegating the responsibility of running of an organisation's finances to a finance officer and team does not abdicate the leader's responsibility.

Business Model

A business model is a high-level summary of how an organisation operates or intends to operate. A business plan is the detailed vehicle that demonstrates how the business model will be delivered and the Key Performance Indicators that will need to be met to sustain the model's viability.

A business model lays out the assumptions made about what services are to be provided, and crucially, why. It contains descriptions of those services, how they are to be "sold" including pricing policies and any terms and conditions, the resources required to provide them, the revenue expected, the operating costs, the residual profit/surplus or loss/deficit on individual and collective service/product lines.

Innovative business models go beyond this to create and maintain customer loyalty, make and give value in unusual ways, and define new products or services that people didn't know they needed. Apple is a pre-eminent example. Who knew that the world would need a watch, a phone, a laptop, and a tablet that all synched together? Does Dell or Toshiba do that? Why not?

Most importantly, a resilient business model and its associated business plan will demonstrate how it will respond to a range of current and future changes in economic circumstances, customer tastes, client preferences, and technological developments.

History is littered with examples of organisations that failed spectacularly when their historically high-performing business models were unable (or unwilling) to respond when circumstances changed, or when "shocks" to their ecology appeared. They not only failed to forecast accurately the "shocks" and their impact, they had little planning in place to withstand them, and did not respond with new ideas. They lost customer loyalty. They had little resilience. They collapsed and closed.

Take Kodak. In its heyday it was a giant of photography especially photo processing and printing. Its business model relied heavily on the significant incomes produced from customers wanting photos processed and printed. And it made a fortune. Its demise came about because it not only failed to recognise the importance of new digital photography techniques but completely misunderstood their economic implication as people gradually took on the technology, firstly in digital cameras, and then the ubiquitous smart phones What is most surprising is that digital photography was first invented by a Kodak employee who, when trying to persuade the company to take an interest in his development, was ignored because they thought it a distraction to their main business model and they actually sold the patent for digital photography to others. Kodak filed for bankruptcy in 2012.

There are many, many other examples of organisations that failed to withstand "shocks", mostly because their business models were not flexible enough nor robust enough to respond: Toys R Us, Woolworths, Nokia, Blockbuster, HMV, Clintons, Poundworld, Chimichanga, and more. Yes, they were all to a large extent companies in the retail and hospitality environments. But the lessons of why they failed can apply to every sector.

Business models for music education organisations, especially those leading and delivering in MEHs, come in all shapes and sizes reflecting local demography, ecology, economy, size and structures. MEHs have to make decisions about how they will discharge their roles, and vitally, which organisations and individuals they will work with to do so. Delivering the core and extension roles of the NPME is clearly the prime role for all MEHs. Some see it as their sole role whilst others build additional services into their business model, for example provision for Early Years, Adult and Community learning, wider arts and cultural offers.

Underpinning the business models of organisations working in a MEH will be a number of **assumptions**, some of which might be:

- The range of services and products to be delivered/sold/provided and the rationale for providing them
- The ways in which they are delivered/sold/provided, frequency, duration, face to face, on site, area-based, virtually, indications of group sizes, content, methodology, assessment, quality assurance, contracts with customers
- Headline costs, terms and conditions of providing those services, the workforce and other resources required to deliver them.
- Headline additional delivery costs incurred – on-costs, infrastructure, administrative and other
- Likely purchasing power of customers and clients.
- Likely volume, frequency, range and value of take-up by customers and clients on a regular or irregular basis, with evidence firmly based on detailed intelligence from the field
- Likely levels, frequency and balance of income from a range of sources including grant funding, direct and indirect trading, other sources including fundraising.
- In some cases, assumptions will include likely levels of "profitability" (and probably should for everyone 'trading' whether this is referred to as profit, contribution or surplus).

Being able to articulate a brief summary of an organisation's current business model and its assumptions, is a good starting point to begin a process of reviewing its effectiveness, robustness, stability and ultimately its resilience.

How well do you know your business model and your business plan?
What is the rationale behind your business model assumptions, and do they stack up?
How regularly do you review your business model to check if it is still appropriate?
To what extent are the assumptions based on historic trends or on more contemporary analyses of the needs and wants of your customers and clients? How do you know?
Are there any services that your customers don't yet know that they need?
How have you calculated the costs of providing your services? How accurate are they?
What is the relationship between your costs and the prices you charge?
How much has recent turbulence affected the foundations on which those assumptions are made, and are they sustainable in the future?
What might be the current and forthcoming issues and challenges that will force assumptions to be tested further?

How far into the future have your forecast your income and expenditure based on current known factors?
What are the implications for any action plans?

Benchmarking Business Models

Against a backdrop of austerity, and demand and cost pressures, The Chartered Institute of Public Finance and Accountancy (CIPFA) set out four pillars of resilience for Local Authorities in its publication of June 2017 "Building Financial Resilience – Managing Financial Stress in Local Authorities" (snappy title!):

1) Getting routine financial management right
Ensuring the basic financial management systems are working effectively. This means the chief financial officer, political leadership and senior management team all have a clear understanding of the authority's financial position and how that compares with similar authorities. Everyone understands the long-term financial strategy, what needs to be done to deliver it, and their personal responsibility for doing so.

2) Benchmarking
One of the simplest and most effective financial management tools is making good use of benchmarking data which compare costs, income and activity levels with similar authorities. Use of benchmarking data should be routine. Every council should have a firm understanding of how each of its cost and income lines and reserves position compare with national benchmarks. Significant overspends or underspends need to be analysed and understood to see if money is being wasted or more investment is needed.

3) Clear Plans for delivery savings
Each authority needs a single, consolidated, living document which tracks its savings plans – what has been agreed and how much progress has been made in implementation and links to both its budget and medium-term financial plan.

4) Managing reserves
Some use of reserves to manage and cushion a clear and transparent savings programme over the medium term can be very sensible. However, the one-off use of reserves to avoid another cut in service level may be a tempting political expedient but it is unlikely to be good policy. It does nothing to enhance financial resilience, and will make the following year even tougher in terms of the scale of cuts that may have to be made.

Whilst these four "pillars" were set out for local authorities, they may well have a wider application and might be used by MEHs and their lead organisations as a set of principles for consideration. Of particular interest might be how MEHs approach benchmarking.

How does your MEH organisation's business model and its quantitative and qualitative outputs and outcomes compare with your statistical neighbours?

B.5.1. Budgets and Financial Planning

Lead organisations of MEHs are well-used to compiling budgets, presenting accounts, and financial reports. Many are highly adept in monitoring income and expenditure on a regular, monthly basis. Some have to do so, especially those organisations outside of local authorities and with charitable constitutions or in the private sector, where cash-flow is king and queen, a close regular scrutiny of how the organisation's finances are operating, particularly income against expenditure, is an essential part of successfully managing the organisation. Within a local authority environment such monthly scrutiny might be less common. Managing income and expenditure is an essential part of knowing your business model, but it is not the only part.

Understanding the mechanics of how finances work, its income and expenditure is crucial, as is knowing why they work in the way they do. Most leaders know their organisation's numbers such as the Top Line, Bottom Line, Total Cost, On Costs, Unit Cost, Unit Price and many are clear about how they are calculated and why.

It is also important to recognise and remember the difference between individual organisational business plans and budgets, and the budget/plan for the MEH as a whole, as this could mean different things to different people. Some MEHs for example may return consolidated finances including several music services, music organisations and partners whereas some MEH finances look very similar to those of the lead organisation. Most important is what use is made of the information, for example in formulating strategies for pricing of services, contracts for services, planning future workforce levels, terms and conditions.

<u>Budgetary concepts – some definitions</u>

Different organisations might use different finance terminology to mean similar things. Most are familiar with:

- **Income and Expenditure** - are at the heart of a business plan and underpin the business model. They can exist visually in separate states but of course they operate organically, and as an inextricably linked whole.

- **The Top Line** – an organisation's **"financial turnover"** – its total revenues in a financial/accounting year from all sources – grant, traded income, other income, fundraising etc. Some organisations may include "in-kind" support they may have received, but this must be counterbalanced with an identical sum in expenditure so that it has a neutral effect overall.

- **The Bottom Line** - the end of financial/accounting year result after all expenditure. Depending on what type of organisation, this financial result can be financial Profit (or Loss), Surplus (or Deficit), Underspend (or Overspend).

- **Total Cost** - an organisation's total cost in one financial or accounting year. It is the sum of its variable costs (which for example include costs of the workforce and musical instruments which can vary according to demand from customers) and its fixed costs, sometimes called overheads, (such a buildings, rents, rates etc.). In practice some organisations apportion some of its variable costs, such as management and administration to its fixed costs.

- **On Costs** - where an organisation directly employs a workforce, no matter how small or large, the total cost of any employee to the organisation is the sum of his/her gross salary, plus the following minimum On Costs:

  - employers' National Insurance contributions, plus
  - employers' Pension contributions, where appropriate, plus
  - the costs of in work benefits such as travel expenses, where appropriate.

  Some organisations include other benefits and liability costs to their On Costs calculation, such as:

  - sick leave, and the costs of sick leave cover,
  - maternity/paternity leave, and the costs of maternity/paternity leave cover
  - jury service, and the costs of cover

  Some include an apportionment of administrative and general overheads to their On Cost calculation. Depending on how they are calculated and what is included, On Costs can add between 30% and 100% of costs on top of gross salary. On Costs are a part of an organisation's Total Cost.

- **Zero Budgets** - the political and cultural differences between organisations of different constitutions are well known. One of the key operational differences is in the target Bottom Line figure. Most local authorities will have reserves. But they often plan for their services on the basis of "zero budgets" i.e. income and expenditure will balance to zero at the end of the financial year. Increasingly, LA lead organisations are being commercialised and are being set targets to generate a surplus.

- **Reserves** - Most if not all organisations in the charitable and private sectors must have reserves, and plan for a certain percentage of profit or surplus each year to maintain or replenish those reserves or invest in the organisation in the short and medium terms, or even contribute to dividends for shareholders. Some individual local authority services might have access to an "appropriation reserve" so that any underspend (surplus on traded income) can be carried over to the following financial year. In some the "appropriation reserve" is used to cover any unplanned end of year deficits either in the individual service or in other parts of the local authority.

- **Unit Cost** - the cost to an organisation of producing, selling and delivering one "unit" of a service or product, for example in a music service, one hour of music teaching might be the "unit". How this "unit cost" is calculated varies from one organisation to another and largely depends on what "on costs" are included and whether it is an average unit cost across the organisation or a more specifically calculated unit cost for an individual or a group.

- **Marginal Cost -** the principle that once fixed overheads are covered, there is a break-even point at which additional services/hours can be sold. This only works however, if there is no significant additional administrative burden as a result. Put simply, the extra charges and any associated payments to staff must be levied using effective systems that are already in place.

- **Unit Price** – the price at which the organisation sells the "unit" to its customers and client. The Unit Price has a relationship with the Unit Cost but depends hugely on what other income streams (for example a grant or other funding) are available to support it, and indeed, what customers are willing to pay. Importantly if the Unit Cost has been artificially lowered, before applying any other forms of income to the Unit Price, it distorts the overall financial picture and in some cases can lead to costly decisions on pricing.

- **Price Segmentation**, or "differential pricing" - a strategy for differentiating prices according to customers' sensitivity to price, their ways of purchasing, their volumes of purchase, their view of "value", their location, well known in retail and hospitality sectors, but also in travel. It isn't a strategy very commonly found in MEHs, although in more than one area, discounts by volume were sometimes prevalent.

- **Differential Remuneration** - In addition to differential pricing or "segmentation", some organisations pay an enhanced rate of pay for those services that are either most difficult to staff or that pay the highest yield in income.

- **In-Kind Income and Expenditure** – lines of expenditure (such as the costs of HR, legal, finance support, accommodation) that are recognised as such in an organisation's budget but for which the real costs are borne elsewhere, and the services given "in-kind". In most cases there is an identical sum in income and expenditure lines to reflect this and which creates an overall neutral effect on the budget of the organisation in receipt of the "in-kind" provision.

- **Cash accounting** – the simplest form of accounting which recognises when cash is received, and expenses when they are paid. It's an easy system because it determines when a transaction has occurred (the money is in the bank or out of the bank) and shows how much cash the organisation actually has at any given time.

- **Accrual accounting** – a more complex system of accounting that records revenues and expenses when they are earned or when the organisation becomes liable, regardless of when the money is actually received or paid. This gives an organisation a more realistic idea of income and expenditure during a period of time, therefore providing a long-term picture that cash accounting can't provide. But it cannot provide a detailed analysis of cash flow of itself; an organisation can appear to be very profitable but in reality it has empty bank accounts. Accrual accounting must therefore have careful monitoring of cash flow to avert potentially devastating consequences.

- **Capitalisation** - a Capitalisation policy sets out which purchases are treated as a Capital Investment, and which purchases are treated as consumable expenditure. They are treated differently both in an organisation's accounts and also for tax purposes. HMRC has not set a lower limit on what can be treated as Capital investment and organisations will need to take advice on this matter.

- **Depreciation** - Because a Capitalised asset is going to be useful to an organisation in the long term, it goes into the organisation's accounts. But every year, the organisation will use up some of the asset's value, and, unless it is a Stradivarius violin for example, it will depreciate in value. To allow for this a percentage of its value has to be deducted from the organisation's profits each year. This concept needs to be understood carefully as too many capitalised items on an organisation's accounts can wipe out a surplus on the year's trading and return a loss in audit terms. Technically, there are several ways of calculating a depreciation schedule, but this is beyond the scope of this guide.

<u>The Top Line for MEH Lead Organisations</u>

If the Top Line is an organisation's total revenues in a financial/accounting year from all sources – grant, traded income, other income, fundraising etc., then when applied to a MEH it usually refers to the top line of the lead organisation. The Top Line will be a mix of some or all of:

- DfE MEH grant
- Traded income (income from schools and/or parents)
- Other grant income (i.e. ACE, Youth Music, other trusts/foundations)
- Fundraising, sponsorship and donation income
- Other cash and "in-kind" support (e.g. from LAs and other sources)

The mix varies from one MEH to another, depending on how much trading there is, as does the amount and percentage of each element to overall income of any one MEH.

For example the 2016 Key Data on Music Education Hubs report showed that:

- the DfE MEH grant accounted for an average of 38.49% of all MEH income nationally, but in a range of between 12% and 100% across individual MEHs
- Traded income from schools accounted for 30.42% of all MEH income nationally but in a range of 0% to 74% individually
- Traded income from parents accounted for 16.77% of all MEH income nationally but in a range of 0% to 67.64% individually

The 2017 Key Data on Music Education Hubs shows similar national averages 38.68% (MEH grant), 30.20% (schools income), 17.41% (parental income). Although the report doesn't set out minima and maxima in the same way, it can be assumed that they are similar to those of 2016.

Whilst there is some scepticism about the accuracy or reliability of the Key Data on MEHs, what it does show is that some MEHs have a Top Line with significant and some cases very large income streams over and above the DfE MEH grant. Much of this is derived from organisational trading of a range of services to schools and/or to parents. It is important here to recognise that some MEH organisations have well-established trading traditions, protocols and systems, borne of many years, and sometimes decades, of experience and practice, whilst some have only relatively recently started to trade.

Some MEH lead organisations have a Top Line that is completely reliant on the DfE MEH grant for the provision of activities. They do not trade at all, or very little, or do not show income derived from trading. That isn't to say there is no traded activity at all in the MEH geographical area, just that it might be transactionally and financially independent of the MEH or any of its organisations. Where they now do appear in MEH budgets, it is under "in-kind" income and expenditure as a way of recognising that the provision and transactions exist, but hitherto not under the banner of the MEH.

Some MEHs show a mix of grant funded activity and some traded, but with some provision (e.g. small group and individual tuition) sitting outside of MEH finances, and in some cases outside of the MEH offer altogether.

So, some MEHs have a business model that is built on substantial volumes of trading by the lead organisation and/or delivery partners, whilst others have business models that are more heavily grant reliant, with little or no trading.

The purpose of this guide is not to advocate one model over another, and indeed it acknowledges that some organisations were set up specifically because they have substantial grant funding.

But raising questions on possible implications, should a number and range of “shocks” appear in the music education ecology over the coming months and years, is a vital part of developing resilience.

As outlined in an earlier section, what if these “shocks” included:

- Significant changes to the National Plan for Music Education and its remit
- Significant changes to the MEH grant
- Further declines in schools’ provision for music in the curriculum and co-curriculum
- Increasing pressures on schools’ budget that reduces demand further
- A new OFSTED framework for inspection that might increase demand
- Schools asking for different types of services that you currently don’t provide
- Further rises in employment costs and/or changes in employment legislation.

Clearly those MEHs that have little or no trading would be most vulnerable to downward changes in the value of the MEH grant itself. Even those MEHs for whom the MEH grant constitutes more than 70% of income could be vulnerable. For, with little or no other income, those MEHs that are reliant solely or very heavily on the grant could not continue in their current form should the grant reduce, or its terms and conditions change drastically.

It could be argued that in those MEHs where almost all, or most of the grant funding is delegated to schools and there is only very small central expenditure, the issue of organisational vulnerability is negligible. But, in this scenario, and if the issues of resilience have been side-stepped, the impact on outcomes for young people may be severe should the grant reduce. Moreover, with little or no additional income there may be little financial head room or capacity for innovation, development or research into new ways of working.

Those MEH organisations which trade and directly employ staff to deliver services, may be vulnerable to further increases in employment costs. This might be especially so if staff contracts carry expensive on-costs, or are inflexible in the ways and means that staff can be deployed to deliver current and/or new services.

Those MEH organisations with a very diverse range of traded services may find themselves sometimes over-stretched and unable to retract quickly should the environment change with little notice.

In this financial year, what is your organisation’s forecast for its Top Line and Bottom Line? How does that compare with the previous two-three years? Is there is a significant difference, what accounts for it? What are you forecasting for the two financial years after the current one? Even if major “shocks” were not to appear, how flexible is your business model in coping with the day-to-day ebb and flow of spurts of new demand from schools, or conversely contractions in demand?

B.5.2. Income and Expenditure

Income and Expenditure are at the heart of a business plan and underpin the business model. They can exist visually in separate states, but of course they operate organically, and as an inextricably linked whole.

Prudent organisations plan their expenditure based on what income they forecast will be received which includes margins for required investments, research and development, contingencies, and surpluses. There are a few organisations that might plan expenditure over and above predicted income and then scrabble through the financial year to attempt to make up the difference, with varying degrees of success.

If a key "pillar" of resilience is "Getting Routine Financial Management Right" then getting the initial forecasts of income and expenditure as accurate as possible is at the start of it.

Forecasting Income and Expenditure

Based on the "known knowns" of income, such as the value of an ongoing grant, and assumptions made in the business model and plan on a) volumes and value of "sales" over a year, based on good "intelligence" and b) other income sources, it should be reasonably straight forward to forecast income for the year.

Similarly, if the Total Cost of an organisation is the sum of its Variable Costs and its Fixed Costs, and most or all of the information on the nature of those costs are available, then it follows that each element of expenditure, staffing, expenses, training, cover, equipment, buildings, insurances and so on, is able to be forecast in detail for the year, line by line.

But forecasts are predictions; they are rarely certainties.

Overly optimistic estimations of income, together with flawed estimations of expenditure, are sometimes the cause of a negative gap between forecasts and actuals. When income turns out to be lower than expected and/or expenditure is higher than planned, this creates a serious negative gap – a projected loss, deficit, overspend. This can be debilitating for an organisation, especially if the gap is found late in a financial/accounting year, so that little can be done about it in that year.

Prudent organisations are likely to plan with a range of financial income and spending expectations using the highest end for expenditure and the lowest end for income. In that way there is less likelihood of a negative gap. There is a chance that it might also result in a significant underspend. This might cause some embarrassment but it is only undermining if the underspend is discovered late in the financial cycle. In the past, and especially in "zero-budget" organisations this has sometimes led to panic spending on goods or provision that is sometimes ill-planned, poorly targeted, and ultimately wasteful of precious resources.

So, some of the planning issues that may account for a negative gap are:

- A "structural deficit" – where every, or most service lines (teaching, workshops, events, activities) requires subsidy from other sources (e.g. grant) and are not sold at a price to recover full costs of delivery
- The costs of providing service lines have not been accurately calculated, sometimes because staffing costs are based on out-of-date figures, often because the true value of "on-costs"

has not been included, or under-estimated, and sometimes because “variables” (discussed below) have not been included
- Service lines have been inaccurately priced; the relationship between the Unit Cost and Unit Price has not been sufficiently considered and services are sold at a loss, even with grant subsidy, sometimes unwittingly, sometimes carelessly
- Service lines are heavily reliant on finite grant funding to underpin their costs and, although technically cannot be expanded if demand increases, are expanded anyway
- Service lines are given away free of charge, sometimes planned for but insufficiently costed, sometimes unintentionally with consequent loss of income
- Pricing is too differentiated and some / all customers opt for the lowest cost option reducing the total actual income compared with forecasts.

Whilst the planning issues above create challenges, it is the operational “variables” to both income and expenditure that can sometimes cause more significant damage. These can include:

- a fall in demand for services - changes in customers’ purchasing actions compared with their intentions (they tell you one thing and do another)
- market resistance, where significant numbers of customers reduce the volume of purchases of services, with short notice, or stop purchasing altogether because the price is too high (or the quality too low for the price, or both)
- unpredicted changes in staffing
- unpredicted staffing costs (e.g. pension contribution increases, salary increases)
- onset of sickness and other absences, requiring additional costs for cover
- changes in costs of procurement,
- changes in costs of rent, rates, insurances and other issues.
- ‘acts of God’ such as weather disruption: snow, flooding etc.

Some variables can have a long lead in time with reasonable notice given. It is those that happen with little warning which inflict the most harm to an organisation and its business plan. Clearly, those organisations who have significant employment costs may experience greater volatility in variables. For example if 90% of an organisation’s turnover is in staffing costs, it is going to be particularly susceptible to salary rises, NI and superannuation changes over which it may have no control.

How accurate are the forecasts of income and expenditure in your organisation compared with actuals in any one year?
If they differ significantly, why?
Crucially, at what point in the financial year do you detect the differences and what do you (or can you) do about it?
To what extent has your organisation been affected by operational variables?
How can variables be better forecast and the costs built into income and expenditure plans?
How regularly do you review income and expenditure within your organisation and to what level of detail?
What operational controls do you have in place to ensure sound and reasonable control of spending?
How regularly are you challenged / do you seek challenge on sound income / expenditure management?

B.5.3. Pricing Services

Calculating and setting prices for services in a traded environment is not a new problem but it's certainly complex, and has become more so in the current context of turbulence in the education sector.

A simple starting point for calculating a price could be the **"Unit Cost"** enumerated earlier - the cost to an organisation of producing, selling and delivering one "unit" of a service or product. For example, in a music service, one hour of music teaching might be the "unit". Only when the true "unit cost" is known, can a range of formulae be applied to achieving sufficient income – a combination of the "unit price" and other income, to at least cover this unit cost, and ideally, produce a surplus on it.

- A basic methodology for calculating Unit Cost might look like this: An organisation has a Total Cost of £700,000 in one financial/accounting year. It delivers 9000 teaching hours in a year. The Unit Cost is the Total Cost of the organisation divided by the total number of teaching hours delivered by the organisation in one financial year. So: £700,000 divided by 9000 hours = £77.78 per hour Unit Cost.

- Of course if the organisation delivered additional services, as part of its Total Cost, over and above the teaching hours, it would be fair to include them in the Unit Cost calculation. For example, as well as the 9000 teaching hours, the organisation provides 2000 hours per year of other services. So now the calculation would be: £700,000 divided by 11,000 (9000+2000) hours = £63.64 per hour Unit Cost.

- However if those additional services (2000 hours) are provided "free" or at a minimal cost to customers, and there is little or no direct traded income received for them, this artificially lowers the Unit Cost. The danger comes when an artificially lowered Unit Cost is used to price all services, and then indirect income (i.e. a grant or other funding) falls, or is insufficient to cover the difference between unit cost and unit price.

- So, if the true Unit Cost of one hour's teaching is calculated as £77.78, after all on-costs and overheads are included, then it goes without saying that the "Unit Price" (the price at which the unit is sold to clients and customers, PLUS any grant subsidy and other income to support the unit cost) must at least equal £77.78.

A way to calculate prices for additional services might be to use **"Marginal Cost"** - the principle that once fixed costs are covered, there is a price point at which additional services/hours can be sold. The hourly rate calculated by Unit Cost tells how much it costs to deliver a unit of activity, by dividing the full costs of the organisation by the number of units delivered, this figure includes all administrative time, all HR costs, all management time and all overheads. But this figure does not necessarily show how much it will cost to provide additional units.

- The Marginal Cost is how much it would cost to put out one additional unit of delivery, assuming that all of the other things are already in place and paid for. It does however need to be realistic and should allow for any consequential "step-ups". It should include salary, on-costs, travel costs, any additional equipment required and any additional management or administrative costs. In some cases it may require additional premises to deliver the service. It is the cost of providing an extra unit of activity.

- The Marginal Cost needs to be realistic, otherwise the organisation runs the risk of pricing below actual cost and making a loss on every additional unit sold.

- An organisation may decide to subsidise the price, but it must be clear from where that subsidy is coming, and how much activity the allocated subsidy will allow. It also needs to have a plan for what it will do if demand exceeds the amount of work enabled by the subsidy.

- There is nothing inherently wrong with a "loss leader": a product priced below cost to attract business, as long as the cost of that loss is budgeted, time or scope limited, and there is a clear strategy to convert that loss into future activity at full cost. To do this, an organisation needs to know what the Marginal Cost really is.

- Some organisations are wary of pricing activity where staff have additional unused capacity. In this instance the initial marginal cost is zero, as the staff time is already paid for. However, for the offer to be sustainable the price might need to be set at the rate of the Marginal Cost once spare capacity has been utilised, possibly incorporating loss leader, or subsidy principles set out above.

There are then a number of interdependent considerations:

- What is the optimum "unit price" will customers pay? Here, "optimum" doesn't mean "maximum" but the level which will bring the most favourable outcomes.

  If the environment is well known, and customers are well known in some detail, there will be a reasonable feel for what the optimum "unit price" is. It tends to be a balance between what customers say they can willingly afford to pay, and what they know they may have to pay to achieve the best level and quality of provision. But organisations shouldn't assume an optimum price without testing it out with a range of customers and clients. Their circumstances change year on year and so do some of their purchasing habits and attitudes.

- What level of grant subsidy and/or other known income should be used to achieve the optimum "unit price" (i.e. so as to be affordable to schools and/or parents)?

  Once an optimum "unit price" is established, it might appear to be a simple enough calculation to work out what subsidy is required from the grant and/or elsewhere to meet the "unit cost". The danger lies in how realistic the "unit price" has been calculated. Too low, and the amount of subsidy required will be high. Given that the value of the MEH grant is finite, there are only so many units that can be subsidised. If the subsidy is high, scaling up becomes difficult, if not impossible, beyond a certain point of demand. If customers have been used to a certain "unit price" in the past (even if it was too low) they may be reluctant to pay sudden large increases, so any large changes may need to be consulted upon and implemented over more than one year. Whatever level of subsidy is used, if the optimum "unit price" is too high, customers will either go elsewhere or not purchase at all. Test and test again with customers.

- What remissions (for parents) or bursaries or other support are available and, crucially, from where does that income derive?

  The income to pay for remissions and or bursaries to support disadvantaged young people and their parents/carers has to be costed accurately and has to come from somewhere, *specifically from a line of income. Invariably the "unit cost" will be the same if not more in some circumstances, for example in providing some services to young people in the care of the Local Authority who may need much more bespoke and individualised provision.*

- At what price point will market resistance kick in, how do you know, what do you do about it?

  Testing optimum prices should begin early enough in a budget cycle, and typically from 9-12 months before a new financial year. It of course carries a risk, but it should give an early indication of potential levels of market resistance – the extent to which more than a few customers indicate that they can't or won't pay that "unit price". The reasons may well be more than just the level of pricing. Testing "unit prices" and customers' reactions should be a normal part of quality assurance and of customer satisfaction processes. If there is sufficient evidence of likely market resistance, there is an opportunity to reduce the "unit price" (this may entail a reduction in the Unit Cost through a review of staffing, structures, contract flexibility, increases in other income or a combination), increase subsidy, increase quality, increase value or a mixture of all before the final "unit price" is published.

Other factors that might influence price setting:

- The extent to which customers and clients and Schools Forum are truly aware of your organisation's Total Costs and Unit Costs and their impact on Unit Prices.

  Some Music Education Hubs have been shy about discussing their business model with others and have only engaged in veiled discussions with customers, for fear of disclosing the realities of their Total Costs and particularly their Unit Costs, partly out of a loyalty to custom and practice, partly out of misplaced embarrassment about the true nature of the micro-economy of music education, and occasionally out of lack of detailed knowledge. Although there is much to be said about keeping "powder dry", there is nothing to be gained in glossing over some of the harsh realities and tensions that MEH organisations face, which though different to those of schools, will always have a resonance.

- The extent to which Schools Forum is consulted on prices of services.

  This tends to differ widely and can be related to the constitution of the lead organisation. Where the lead organisation is a LA run music service, the local Schools Forum, often for reasons of custom and practice, sometimes feels that it is there to define prices rather than be consulted upon them.

- The extent to which historical custom and practice has influenced the value of the "unit price".

  In some MEHs pricing strategies have been based on historical approaches borne of a more prosperous and more unified approach to providing services to a LA "family of schools". In some cases the strategy has carried forward year on year with only inflation increases added and little root and branch analysis of what the true Unit Costs and Unit Prices are or should be. In a small number of cases this had led to a serious lag between what is being charged and what should be charged.

- The extent to which services have been given “free of charge” in the past, or even now.

  This is covered later in the section “Knowing your options”.

- The extent which Price Segmentation or “differential pricing” is applied.

  For example one organisation priced its instrumental teaching by volume to encourage longer visits in schools. Some contemporary practice includes:

  - *Offering “early-bird” discounts for schools who book their service requirements before a certain date. This had the obvious advantage of securing contracts early, enabling decisions to be made on staffing resources and levels to deliver the provision.*

  - *Offering “package pricing” for schools who, for example, book whole class ensemble teaching and continuity teaching (large group, small group, individual) together for the year at a discounted rate compared with booking the services separately or, in some cases, only buying one of the services.*

  Whatever type of Price Segmentation is used, it must be fully costed against the Unit Cost calculation and the differences in income against costs fully known and then met. And of course if discounts and subsidies are offered to particular customers, the organisation has to remember who was offered what and then be prepared to be challenged by others.

B.5.4. Planning and Profiling Income and Expenditure

Every organisation plans income and expenditure forecasts for a full financial/accounting year. In some organisations quarterly management accounts give a more frequent analysis, although some find them less helpful because their timing is in conflict with operational periods.

In many organisations, especially in the charitable and private sectors, the whole year budget (income and expenditure) is profiled month by month over 12 months.

For these organisations where cash flow underpins the very survival of the organisation this is a fundamental requirement. But it isn’t dividing total expenditure and total income by 12. It is profiling on a month by month basis an accurate forecast of what income is due, line by line, and what will be spent on each expenditure line (staffing, expenses, equipment etc.) in any particular month.

An important decision in profiling is to determine whether to use “cash accounting” or “accrual accounting” defined earlier.

The advantages of a monthly profiling methodology are obvious. Not only does it show a detailed picture of an organisation’s forecasts, it enables an organisation to build in variables with some degree of accuracy and plan for some amelioration in advance.

For example, based on “real time” information on volumes of sales, it is possible to target customers and clients, or groups of customers and clients, through marketing, personal visits, meetings to bolster sales earlier in the cycle than might otherwise be possible.

Given historic trends of sickness absence, along with current data, it is possible to profile those months in the year in which levels of sickness absence might be expected to rise, and therefore the possible implications on expenditure for cover can be forecast. Where an organisation pays travelling expenses, there are a number of months where the costs of travelling will be lower because of holidays. Where increases in costs that are to occur mid-year, and are already known, these too can be profiled reasonably accurately.

Clearly there are some variables, such as staff being selected for jury service, or "acts of God" which come at very short notice and are next to impossible to forecast. Nonetheless it's important to factor them in to overall budgets, as a contingency spend, if they are likely to have a financial impact.

It might also be worth considering how much "bad luck" an organisation would need to encounter, for it to run into serious operating problems. For example, if an organisation's leader and its senior finance officer were both absent at the same time, through illness or other factors, what might be the impact on an organisation, its day-to-day operations, and its offer?

Making a list of key tasks that needs to be undertaken on an annual basis, broken down by calendar months, could be a starting point. Drawing-up a simple skills matrix to see who, in the team available, could complete those tasks might be a second step. If there are obvious stress points, it might be considered how some of the tasks be completed at a better time, or by different people. Where a task is mission-critical, it is essential that appropriate staff or co-workers understand processes and have access to the systems to be able to help immediately in the event of a rainy day. A little staff training can overcome some bad luck.

B.5.5. Monitoring, Reporting and Reviewing Financial Positions

If income and expenditure are profiled on a monthly basis, it follows that there should be at least monthly monitoring, reporting and reviewing of the organisation's "real time" financial position. Many already do this.

Depending on governance and management structures and processes this should involve the organisation's key decision makers. It is probably unnecessary nor even practical to convene the full governing group on a monthly basis, but the Chair, or other senior office holder should be involved along with organisation's leader and senior finance officer at a minimum.

The purpose of the monthly reports and reviews is to provide an accurate and regular update on income received or accrued and resources expended or accrued compared with what has been forecast for that particular month. Where there are differences between forecasts and actuals it is crucial to know what accounts for the differences, why they are different and what needs to be done to future monthly forecasts AND the overall budget.

These discussions and analyses are vital to know the current state, the pulse, of the organisation's financial health and to determine any course of actions in the short and medium terms. These then feed into quarterly reports to governing structures and accountable bodies to enable discussions, options appraisals and decisions on strategic issues where they are needed to maintain and improve the organisation's financial health.

A crucial dimension to monitoring, reporting and reviewing is that more than one person in an organisation has a firm grasp of the financial reality, and in some detail. It is dangerous for an organisation's leader to depend upon on what they have been told about their organisation's financial position, without them also understanding in detail how the figures have been arrived at, and what they mean. There are examples in history of organisations collapsing, because leaders had believed unquestioningly positions reported by finance officers, only to discover too late that the figures were erroneous. As the CIPFA publication states: “Finance is everyone’s business.”

Regular nitty-gritty conversations in preparing for, and then undertaking monthly monitoring, reporting and reviewing can reveal early signs of “financial stress” in an organisation, and what might be done about it.

Financial Stress

Financial stress isn’t the mental and physical reaction following a monthly reporting and review meeting, although it may well be! It is a condition that an organisation might experience when one or more of the following symptoms are present:

- it runs a deficit budget but doesn’t know it is doing until late in the financial year
- if it relies on cash flow, but it only just about manages to pay staff and creditors on time
- it uses its reserves on a regular basis to cover deficits
- it fails to plan to make efficiencies and savings, or to improve income, to ensure deficits are eradicated
- it has insufficient capacity or willingness to plan ahead more than one year in any event
- it cannot afford the necessary capacity to run the organisation effectively – strategically or operationally
- it experiences significant market resistance on price, or content, or quality of services, or a combination of all three
- it cannot expand those services for which there is an increased demand because to do so would cause further losses because Unit Costs are not met by sufficient income
- it has significant spare capacity in staffing that it cannot usefully deploy, or doesn’t bring in sufficient income, or is directed to work in tasks well below its pay grade

Acknowledging the early signs of Financial Stress and their root causes is a vital first step. But it is in addressing the root causes, not just the symptoms, that resilience can be built.

How accurate are your forecasts for expenditure compared with actual expenditure?
What accounts for any differences? Why?
How are total costs, operating costs, on-costs, unit costs of provision defined, calculated and analysed?
How do you calculate your costs accurately and reliably?
What are the variables you need to include in costs, and how do you calculate them?
How are pricing strategies for traded services developed and implemented?
How do you set prices for your services?
When did you last review pricing across your offers?
How challenging would changing prices be in your area if this was required?
How and when (and how frequently) do you monitor income and expenditure? What do you do with the monitoring information?
Is your organisation showing symptoms of financial stress? What can you do about it?
Who in your organisation truly understands its finances? Do you?
Do you have any plans in place to cope with “bad luck” or a “rainy day”?
Can cost efficiencies and effectiveness be improved? How and when?
Can costs be reduced? How and when?

B.6. Knowing your options

Against a backdrop of the “knowing” enumerated in previous sections, and considering a range of possible eventualities or potential “shocks”, leaders will come to conclusions about the extent to which their organisation’s business model is fit for purpose, not just now but in the future.

A business model may well be extremely well focussed on children and young people, supporting the highest quality of music making and its provision, but if it is showing early signs of “Financial Stress” or it is inflexible in its service lines and/or staffing structure, built on over-reliance of grant-funding, mired in bureaucracy, carrying significant on costs and overheads, and not robust or flexible or innovative enough to withstand “shocks”, including emerging competition, it runs a risk of failure in the future.

B.6.1. Scenario planning

Modelling a number of different future scenarios can be an illuminating way of identifying strategies to deal with a range of possible “shocks”.

For example running a financial planning model that takes into account differing percentage reductions or increases in income (in grant, traded income, other funding streams) and differing percentage increases or reductions in operating costs, can raise a useful bandwidth of issues, even if some of them are scary.

A thought-provoking quotation as a starter for modelling:

> **“….. there are known knowns; there are things we know we know.**
> **We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns – the ones we don't know we don't know.**
> **And if one looks throughout the history of our country and other free countries, it is the latter category that tend to be the difficult ones.”**
> *Donald Rumsfeld, US Secretary of State for Defence. 2002*

Scenario planning isn’t a one-off exercise, but should be a regular task, undertaken at least annually. Models should variously take into account the range of known knowns right through to the unknown unknowns. Speculative though this may be it provides a foundation for future decision making, from short term to longer term.

If organisational resilience has financial resilience at its centre, then there are a number of possible options to consider, separately and together, the most important of which might be Maximising Income and Reducing/Changing Costs. More about those later in the guide.

But first some words on what has emerged from the Music Mark training on Organisational Resilience, as a potentially key issue for individual music education organisations, for MEHs, for ACE and for Music Mark – research and development.

B.6.2. Research and Development

Ok, so we've scenario-planned to within an inch of our teeth. So what? How do we keep our organisation fresh, alive, vibrant and forward-facing? How do we ensure that our organisation preserves the fire of the past, meets the challenges of the present and predicts the needs of the future?

What Research and Development do we undertake to discern new strategic placements and directions? How do we discover new ways of working, new ways of operating, new ways of engaging with clients and customers, new customer needs, new service lines?

How do we identify those services, opportunities, provision, ***that customers and clients don't yet know that they want***?

What priority do we give to research and development as a core, central function of the work we do, day in, day out? What level of resources (as a proportion of our total annual expenditure) do we make available for research and development as a normal part of our cultural and operational existence, and to keep our organisation alive, alert and on the front foot?

Many successful organisations allocate significant resources to research and development; indeed without ongoing R&D into developing new products and services, it is arguable that some of them would have been overtaken by competitors, or might have simply closed.

It sometimes seems to be the case in music education that for any substantial Research and Development to take place, a bid has to be made for additional funding from another source, particularly if the organisation doesn't have access to reserves. But just as a proactive organisation in the education sector will always allocate funding for training and contingencies, they should also consider how to allocate resources in their budgets for Research and Development.

Research and development involves risk-taking. Some could argue that taking the biggest risks can sometimes lead to the largest successes. But taking risks can also lead to failure. By its very nature research and development implies that there are likely to be failures on the road to success.

It is no surprise that in many successful organisations this recognition of failure as a natural element of development coincides with a working culture of "no-blame" – where failures are shared around the whole team, and in some cases celebrated in the same way as successes.

Some organisations approach risk-taking very seriously. But this can sometimes overlap with a fear of failure, reticence, and may even lead to risk-aversion, sometimes self-imposed, sometimes because of external pressures or demands, or sometimes because factors are interpreted in particular ways.

For example, how do those organisations leading MEHs respond to the annual risk-rating from ACE? To what extent does it influence their judgement on what risks to take and how? Some might see a "low risk" rating as a good thing, even a compliment. But is the pursuit of a "low-risk" rating an anathema to a vibrant culture of research and development? Might it even infer a sense of complacency?

Where to start with Research and Development?

Such are the day-to-day pressures of organisational leadership, and more-so leading a partnership of several organisations, that it is easy to become swamped with urgent, but perhaps not so important issues; those that guzzle our energy and focus, that drain so much time of the day, that sap our stamina, bleed our noses and throats dry, and yet, when they have been resolved, we've fought the fire, achieved not a lot and still have a stack to do.

> **"What Is Important Is seldom urgent, and what is urgent is seldom Important. "**
> *Dwight D. Eisenhower 34th President of the United States*

(This guide is deliberately mute on the concept of organisational leadership and the challenges it brings, not only to leading a single music education organisation but to leading a partnership of sovereign organisations in a homogeneous aim of providing children, young people, their schools, families and communities with the best possible music education. It has been recommended that this might be the subject of a subsequent guide in the future.)

Finding time to think and reflect, and prioritising that time in a working schedule is probably one of the most important pieces in the jigsaw of developing organisational resilience. It is certainly one of the best places to start a research and development programme.

Using some of that time to read and digest past and current research should be a priority, if only to ensure that what is being considered in R&D hasn't already been done, or if it has, that the findings have be evaluated and deliberated upon. No-one wants to re-invent wheels, yet in the music education sector we seem to do so with alarming frequency. There appear to be more pilot projects in music education than in the whole of the Royal Air Force. How many of these are local replications of others elsewhere, and yet with no reference to each other in planning, operating or learning from the findings?

This year (2019) has seen the publication of a number of important reports on music education from Incorporated Society of Musicians, Youth Music, The Music Commission, and Musicians' Union. That four important reports appeared at roughly the same time was perplexing. (You wait for a bus for hours and then four come along all at the same time.) But the reports each make important recommendations, some which overlap, some which are distinct. Some may well have a significant implication for research and development in MEHs.

> How do you find time to read, analyse and digest past and current research and reports?
> How do you consider the findings of research and reports as a basis for developing your research and development programmes?
> What other research and development programmes are currently being undertaken locally, regionally and nationally?
> How do you become involved in these programmes?
> How do you take your own context into account?
> What other research and development initiatives are you considering and why?
> How do you know they aren't already being done elsewhere?
> To what extent have you built in "failure" as part of the risk-taking of R&D?
> How are "failures" dealt with, culturally, organisationally, financially and operationally?
> How much is your organisation investing in R&D on a regular basis? People? Money?

B.6.3. Maximising Income

Amending Service Lines

Sometimes it is possible to amend particular service lines to improve their effectiveness and efficiency, for example:

- *Whole Class Ensemble Teaching*

Whole class ensemble teaching exists in very many shapes and forms but the extent to which it achieves its intended outcomes varies hugely. There are many reasons for this including the context in which it is being taught, how it is planned and delivered, who is delivering and supporting the delivery, how long lessons last, how many lessons take place in the scheme's duration, what instruments and what grouping of instruments are used and more besides.

Some MEHs have reviewed the configuration of their WCET programmes in the light of research, their own experiences and customer feedback. In some cases the duration of the programme has been shortened from one year to two terms, with the third term used to promote large and small group teaching. In some cases the duration has been shortened to one term both at the request of schools and in the light contextual experiences, and terms two and three used for large and small group teaching. Some MEHs have changed the range of instruments being taught. Some use single instruments in a whole class setting, others use families of instruments (for example brass, woodwind or mixed woodwind and brass B flat instruments).

Some MEHs have developed WCET as a stand-alone programme, others have provided it in a package which includes provision for continuation in large and small groups beyond the first year. Some MEHs have discontinued a proportion of their WCET programme in favour of large and small group tuition to meet the expressed desires and needs of schools.

One of the key considerations in amending a service line is will it not only have a better impact, but will it maximise income? Will shorter duration WCETs programmes encourage smaller schools with tighter budgets to participate where they might not have done in the past? Will changing the range and groupings of instruments encourage more schools to participate? Will wrapping up WCET and group teaching in a package encourage more young people to continue and maximise income for the service provider?

- *Ensembles*

Ensemble provision in some MEHs follows a more traditional pattern of orchestras, bands and choirs. Some have added a more diverse range of instrumental groupings and opportunities. Some have a mix of a range of ensemble types. Provision is one side of the coin. What about take up and participation? It is clear that in some parts of the country ensemble attendance has reduced and in some cases plummeted. The reasons are complex. The question is to what extent a MEH ensemble provision is viable and sustainable, musically and financially in its current form? Running ensembles is expensive. Some MEHs charge a fee for attendance to offset the costs. Where this is the case, running poorly attended ensembles is simply too expensive now and in the future. Reviewing and amending provision to meet the needs and demands of young people, and indeed their availability, is a crucial aspect of amending service lines.

Some MEHs have done this by amalgamating ensembles. Some have disbanded the least well attended groups. Some have created new ensembles to better match the levels of attainment, genres and styles of an increasing majority of young players. Some have forged relationships with neighbouring MEHs to create cross-hub ensembles. Some of the larger MEHs covering more than one LA area have created a super-structure of more advanced ensembles. Some lead organisations have reviewed whether they are best placed to offer ensembles or if this could be provided by partners or schools in a better way.

Diversifying Service Lines

If an organisation knows its customers well and has a thorough understanding of what they say they want, as well as what they need, they should be in a good position to be able to configure services to meet those wants and needs. This may mean amendments to current service lines to make them more bespoke to particular circumstances and contexts.

But sometimes organisations assume that their "usual" or "regular" customers' needs remain fairly static, or that they are their only customers. Some organisations may not invest enough in research and development to consider what other services might be wanted or needed, or, indeed, what new customers/clients there might be.

Some MEH organisations have diversified their service lines both to attract new customers and to increase take up of current services.

- For example, MEHs already provide direct services to Early Years settings. It seems likely that a new National Plan for Music Education may include Early Years within its remit and this should provide a good opportunity for individual organisations, as well as the hub, to diversify further.

- Some organisations provide services directly to adults. Whilst these activities cannot currently be funded by the MEH grant, they have given strategic and operational opportunities to diversity. For example, one MEH lead organisation is commissioned by a local charity to deliver a range of adult music classes – ukulele groups, vocal groups and choirs, guitar groups and keyboard groups. This range is set to increase to include sessions targeted at older people with dementia and their carers, and sessions for mothers and toddlers. This not only enables the organisation to diversify its offer but derives a healthy income stream, at full cost recovery, for the organisation.

- One MEH lead organisation, which had had limited contact with some local secondary schools, embarked on a piece of research and development into providing a new service line in "turntablism" – to be delivered in the style of WCET. After procuring an appropriate staff member to network with schools, write draft schemes of work, purchase equipment it set up a trial in a couple of schools. It has now developed into a fully costed and sold service line for secondary schools.

Getting pricing sorted

As discussed earlier, the way in which service prices are calculated is crucial to developing organisational resilience. It's not just about having sufficient income to cover costs (or more), but having in place "optimum pricing" that recognises the costs and value of the services provided and engenders customer loyalty. If an organisation gets this one aspect of its operations sorted, it is on its way to becoming more resilient.

Giving away free stuff

There is nothing "free" in the work of MEHs. It has to be paid for somehow. In many MEHs, either because they do not trade at all or they choose to provide services for which they do not levy charges it is either "Fully Funded by the Government through the National Music Grant" or by some other funding stream.

It's not wrong to give incentives such as free tasters, free initial sessions or free goodies. Indeed it can be a very effective way of stimulating demand, supporting access and progress. But sometimes services or goods are given free, with insufficient thought about how they are being paid for. If in addition there is no exit strategy should the free stuff have to go for whatever reason, it not only creates a financial drain on the budget, but runs the risk of annoying customers who have to be weaned off it.

The risk to resilience may be small, but when un-costed free stuff is pulled, the reputational damage to an organisation can be disproportionately large.

This isn't to be confused with the absolute imperative to provide support for young people from the most disadvantaged backgrounds, and even those from families who are "just about managing" for which MEHs have a duty to do, whether it be in form of providing bursaries, or remissions, or different modes of access, or different routes of progression, or additional opportunities to make good musical progress. But again all of these need to be costed, and income streams (whether grant, traded income, other income, fundraising) clearly identified to ensure costs are covered.

If there is only one message that readers take from this guidance it would be, stop giving free "stuff" to schools that is uncosted. Only make no charges where there is a clear and agreed rationale to do so, with defined and verifiable income streams to cover the costs, a time specific contract and an exit strategy.

Fundraising

Whilst Fundraising is not intended to be a substantial part of this guide, and indeed there will be further additional guidance and support provided by Cause4 supported by Arts Council England in the future, it is worth highlighting in a range of options to maximise income.

Understanding the fundraising landscape and its potential for other income through grants from trusts and foundations, the potential of donations and their ability to be gift-aided is essential to entrepreneurial organisations, particularly those with charitable constitutions and objectives. Whether it is to seek funding for particular projects or ongoing services, it is important to develop a fundraising strategy that is focused on achievable aims and for which its impact and effectiveness can be assessed and evaluated.

Some MEH organisations already have a charitable constitution, and some are well on with fundraising as an important element in developing income streams to support a range of work including, for example, providing bursaries for music lessons for young people from disadvantaged backgrounds, providing instruments or transport.

Some MEH organisations, which may not have charitable constitutions themselves, have long-standing or recently set up independent charitable bodies as close partners in the hub, to lead on this aspect of income generation. This needs substantial capacity from a range of voluntary trustees and in many cases the professional support of the MEH lead organisation. Crucially it also needs knowledge of who else can provide support, and where there is expertise that can be tapped into.

Organisations with established fundraising or development departments will work to a return on investment of 1:5 i.e. for every £1 invested in fundraising they will seek to generate £5. Return on investment for MEH organisations might have to grow from ROI of 1:2, to 1:3, to 1:4 over time.

Some interesting data on the UK return on investments (ROI) for fundraising shows the mean ratios of return, from a variety of sources:

Fundraising Method	**MEAN ROI**
Statutory Grants	47.96
Legacy	44.31
Disaster Appeals	22.02
Trusts and Lottery	8.36
Corporate Giving and employee fundraising	4.13
Major Donors	3.32
Regular Giving and Cash Gifts	3.07
Community and Local Fundraising	2.1
All Fundraising	**4.86**

From these ROI lines, it is easy to see why trusts and foundations might become a major focus of MEH fundraising. Some MEH organisations also maximise income from events and substantial individual giving strands such as:

- Revenue form Concerts and Events
- Support from "Friends' Associations"
- Fund raising events for specific projects, activities or anniversaries
- Donations – small, large, one-off, regular, legacies, which, for charities, can be "gift-aided"
- Sponsorship from industry and individuals

Peter Jerome, former Fundraising Development Manager in SFE Birmingham set out Ten Top Tips:

1. Not a quick fix; take time slowly moving the needle
2. View fundraising as investment, not expenditure
3. Develop a case for support
4. Build a fundraising strategy in line with business plan
5. Get buy in from all levels
6. Be data ready!
7. Look at the most cost effective routes (ROIs and Audiences)
8. Don't reinvent the wheel – look at what others do especially the big charities
9. Think about the language you use (different audiences call for different styles)
10. Build relationships, get out there, ask and thank people.

Charities have been under some scrutiny in recent years, justifiably so after some unsavoury practices were uncovered including the solicitation of funds from vulnerable adults. As a result, new guidance has emerged and there is a stronger legal framework within which to operate. Good advice is contained in these three documents:

ICO Direct Marketing Guidance
https://ico.org.uk/media/for-organisations/documents/1555/direct-marketing-guidance.pdf
Charity Commission CC20
https://www.gov.uk/government/publications/charities-and-fundraising-cc20
Fundraising Regulator Code of Fundraising Practice
https://www.fundraisingregulator.org.uk/wp-content/uploads/2016/06/Code-of-Fundraising-Practice-v1.4-18102017.pdf

It is hoped that this will be covered in much more depth, in forthcoming Fundraising Guidance from Cause4.

If someone wanted to give you money, would they be able to find out how to do that? Do you have mechanisms in place to be able to receive donations, and claim gift-aid? If someone had money to give, could you tell them how you would spend it? Would your spending plan meet the aspirations of the potential donor?

B.6.4. Reducing/Changing Costs

Frontline Workforce

It goes without saying that the majority of costs of providing music education services are invested in the frontline staff that delivers them, and the back office staff that manages and administers them.

There is a myriad of employment and self-employment practices in MEHs. Some organisations have an employed frontline workforce on a range of different contracts, terms and conditions. Some have a frontline mix of employed staff and self-employed colleagues (who may or may not be associated with the organisation or the MEH). Some have a frontline workforce of only self-employed staff. There are advantages and disadvantages to each model.

Where organisations directly employ frontline staff they will be reflecting on the extent to which their employment model is financially sustainable or affordable, particularly in terms of salary and on-costs, given the turbulence of the environment in which music education is operating. A review of previous years' accounts and forecasts for the coming two or three years could provide a range of answers.

But another key consideration is whether the terms and conditions of employment match the business model of the organisation. If the business model is offering flexible, innovative, proactive services to customer, do the contracts of employed staff enable sufficient flexibility? And how is quality maintained when greater flexibility becomes essential?

It is not uncommon for an organisation to change or revise its model, for example in the frequency of delivery of some of its services, perhaps to meet customer needs, but finds itself unable to fully deliver that change because the terms and conditions of its employed staff are insufficiently flexible.

Or in another scenario, demand falls in one geographic area but rises in another, but the organisation is unable to meet the challenges because of difficulties in mobilising staff. Yet another scenario might be where an organisation faces a fall in demand from customers, but it is unable to reduce its workforce in the same time scale, and therefore carries spare capacity, and the costs attached to it, along with a reduction in income to pay for it.

Back office/administrative workforce

The range and number of management and administrative staff varies hugely from one MEH organisation to another. Some structures are based on historical provisions, some are the result of recent and not so recent staffing reviews, some are completely in synch with the organisation's business model whilst others are desperately stretched in capacity.

Depending on the constitutional context of the MEH organisation, management and administrative staff will have varied employment contracts, salary ranges and terms and conditions. Some have inbuilt flexibility, focussed entirely on the needs of the organisation. Others, particularly those in LAs or a part of a larger organisation may have additional and sometimes conflicting drains on their time to service the needs and requirements of the LA or the larger organisation.

The extent to which management and administrative staff operate efficiently is sometimes correlated with the uniformity and consistency with which systems are implemented and used. In some organisations there are cumbersome, inefficient paper systems and/or a plethora of excel spreadsheets in use on a daily basis. Not only can these systems be painfully slow, they are often inflexible, generate duplication, are breeding grounds for inaccuracy, poor information and clogged bureaucracy, leading to poor communications, and sometimes poor decisions. Moreover they often need more people to deal with them than might otherwise be the case with a technological solution. Whilst these can be expensive to install and train people to use, they tend to repay many fold in efficiencies, yielding better information, and more accurate data, leading to better decision-making.

Some MEH organisations, that directly employ staff. have sought to address these issues of flexibility and inefficiencies in contracts and in management and administrative systems in a range of ways, for example:

- Seeking volunteers to move from full-time to part-time working
- Capping pay-scales to particular maxima
- Introducing new roles, contracts, pay-scales and terms and conditions for new employees (therefore changing the cost of the workforce over time)
- Implementing variable contracts to two decimal places (e.g. rather than 0.6 Full Time Equivalent (FTE), 0.58 FTE) that can be varied by 20% up or down each term to match demand from customers
- Negotiating changes to what is automatically included in contracts (e.g. staff meetings, training) and replacing with hourly-paid additional payments
- Negotiating changes to in-work benefits (e.g. travelling costs and expenses)
- Undertaking a staff "skills audit" to reveal hitherto undisclosed or unrecognised skills and strengths, that could be utilised and deployed to meet demand to compensate for falls elsewhere
- Creating a pool of staff on "casual" contracts to meet upsurges in demand
- Changing the overall balance between employed staff and self-employed staff over time
- Not filling a substantive employed post when it becomes vacant, but replacing it with "casual" staff or self-employed staff.
- Implementing technological solutions to some aspects of frontline teaching (i.e. the use of skype-type distance learning) and to administrative operations (i.e. the use of relational databases or other software to process the majority of administrative and financial tasks)

In all cases of changes to contracts of employment, and/or the terms and conditions that go with them, organisations must take appropriate HR and legal advice beforehand, and pursue a programme of consultation with staff and with relevant professional associations and others.

Reconfiguring

In a more extreme scenario, perhaps where there is a serious shortfall of income (forecast or actual) due to a collapse in buyback, or for other reasons, or perhaps the costs of running the organisation have soared, the organisation will then have its back to the wall and may not be able to fix the problem by "tinkering at the edges" no matter how creative they may be. Or the organisation may be able to fix some of the problem but it no longer enjoys the support or trust of those charged with its governance, or line management.

In these circumstances an organisation may need to be reconfigured. This might include a restructuring of staffing. It might include the disestablishment of some or all employed frontline posts and replacing with a commissioning of other organisations or self-employed staff. In some cases it may be the only way for an organisation to survive without access to significant other funding or reserves. Organisations are forbidden to trade insolvently i.e. continuing to trade but knowing they cannot pay their bills and cannot pay the costs of closure.

In all cases, whether relatively mild or extreme, where there are to be significant projected changes to staff contracts, the following minimum requirements are likely to be set out:

- A business case drawn up to spell out the key drivers and imperatives to undertake the changes and the outcomes expected
- The likely costs involved and the likely savings to be accrued over time
- The possible and projected impacts and risks on service provision, frequency, availability, quality
- Where self-employment is adopted in any form, ensuring all contracts are IR35 compliant
- Significant HR and legal advice
- Consultation with staff, professional associations, and others over a regulated time scale (depending on number of employees)
- Time
- Costs of disestablishment

Procurement

MEH organisations are significant purchasers of musical instruments and a whole range of equipment. This author doesn't yet have data on the extent to which individual MEHs or consortia of MEHs and their organisations have been able to secure much cheaper prices on a whole range of goods and services through collective procurement – organisations working together to purchase larger volumes thereby enjoying Price segmentation from suppliers.

But there may be savings to be made if groupings within the sector were to organise themselves into procurement consortia to negotiate better prices on the purchase of musical instruments and equipment, and even the provision of utilities.

Even single organisations, without working together with others, might want to look closely at their procurement practices and ask "are we getting the best possible deal on x or y" (where x and y are goods, services, utilities and other items procured). "Best possible" isn't necessarily the cheapest. But it might be.

Strategic Quitting

Strategic quitting was a phrase first coined in Music Mark's "Rising with the Tide" programme. It means to take a strategic decision, to stop certain things, either because they are too costly, add too little value, are inefficient, or simply someone else could do them better.

Some examples of strategic quitting (others are available):

- An organisation has been responsible for delivering Icelandic Ear-Harp tuition in WCET, small and large groups and running an Icelandic Ear-Harp ensemble. It has determined that, for a variety of reasons, including costs, quality and take-up, it is no longer viable to for it to continue to provide it in any form. It is considering ways in which to quit strategically. In so doing, it should first determine whether there is another organisation or individual who is better placed to take on the provision. because they can do it more effectively and more efficiently and negotiate with them to take on the service line, either through a commission or a free-standing arrangement, perhaps whose only caveat is to provide data for the October return. Alternatively, and if there is no other provider, it can advise the schools, pupils and parents of its intention to cease providing (with good notice) and suggest other avenues for musical learning if it is impossible to continue to provide for.

- Partnership working is both exhilarating and hard work. It takes time, effort, humility, empathy and a whole load more characteristics. Some partners "fit" the hub very well. Others take more time and work and negotiation. Some are incredibly easy to get on with, some are much more high-maintenance. Irrespective of personalities (although they count for a lot in partnership working) sometimes a partner just doesn't fit in with the vision or mission of the hub, and in some cases adds too little value in real terms, or perhaps in comparative terms with the original configuration of the hub, or is downright resistant despite many attempts to resolve matters internally and externally. In these circumstances the notion of strategic quitting becomes important if not essential.

- Another example is to identify the activity in your business that is least cost-effective. For example, one organisation identified all the shortest instrumental teaching weekly visits and calculated their associated travel costs. It discovered that well over half the travel budget was been spent on delivering less than 20% of the total hours. Whilst it wasn't feasible to stop delivering all of that tuition, it was certainly worth taking a close look at what was being delivered and to consider alternative strategies that might be more efficient.

Strategic quitting can be a useful strategy if it both reduces cost risks to an organisation AND continues to secure provision from other sources where there is a demonstrable need. Of course, if there is no demonstrable need, or very little, it is arguable that strategic quitting isn't required, but rather a decision simply to close the service line in question.

In the examples above, does the act of strategic quitting improve the resilience of the organisation?
When did you last work through a "Start, Stop, Continue" review exercise looking across the organisation's offer?
And what were the outcomes?

B.6.5. Other Options

Joining another MEH

There might be a number or reasons, both positive and negative, why a MEH would consider joining or even merging with another hub to improve its offer and ultimately its resilience. It isn’t a decision that would be taken lightly nor without due diligence on either side or consultation with a range of organisations, bodies and individuals. But for some MEHs it may be a step in securing a more resilient future.

There have been recent examples where for reasons of scope, breadth, capacity and potential economies of scale, joining up has taken place both to coalesce offers to provide a wider range of opportunities and also to reduce an amount of bureaucracy around monitoring and reporting.

Be under no illusion, joining up, merging, federating (hard or soft) does NOT bring immediate savings or efficiencies. If anything, it is likely to cost more in the short term, particularly in management and administrative time and resources to undertake negotiations, to align business planning, business systems, contracts of employment, data protocols and details, operating and reporting mechanisms. Complying with TUPE regulations could be a major issue particularly where staff are engaged on significantly different types of contracts.

But in the medium and longer terms, there is potential to become more efficient, especially with technological solutions for management and administration. More importantly, there may be significant opportunities to improve access and share innovations, streams of work, service lines and resources.

One of the larger MEHs operates successfully on the basis of each sovereign organisation in the sub-region working together for specific purposes. These include for example: provision of training and continuing professional development, provision of high-level ensembles, sharing of resources both in planning and operations, sharing of pedagogy and methodology, and sharing of information and intelligence on schools, pupils and their needs. The hub is what it says on the tin. It is a vibrant partnership of sovereign organisations that willingly come together for specific music education purposes. Its bureaucracy appears minimal for a hub of its size. Its impact both operationally with its customers and clients, and politically with its governance and stakeholders seems palpable.

Consideration of joining up is an option for building organisational resilience. But only if it is done early enough in a cycle of strategic, financial and operational analysis. No one wants to join up with a basket case.

Spinning out/Externalising

There have been a number of former LA music services that have “spun out” of Local Authority control and constitution in recent years and reformed as different independent organisations, often with charitable status. In some cases it was done as the result of some incredibly visionary crystal ball gazing and horizon scanning. In other cases it was done as a result of prevailing circumstances, both politically (such as boundary changes) or financially (such as impending changes to grant levels and conditions).

The option of spinning out or externalising is neither an easy option, nor should it be the option of last resort. It isn’t for the faint-hearted and requires at least, but not limited to:

- Demonstrable political and senior management support from the LA
- Staff support
- Support from customers and clients
- A complete understanding of the pros and cons of such a move, including the range of constitutional options available
- A compelling business case for change, including the most robust financial planning
- A thorough knowledge of issues such as TUPE and other legal undertakings
- A guaranteed underwriting of some financial issues particularly pensions and redundancy liabilities
- A long lead in time to plan, consult, implement
- Access to excellent legal advice, HR advice, and financial advice, independent from the LA
- Sufficient cash reserves on start up
- Appropriate cash flow to cover all running costs from start up for at least the first year of trading
- Individual capacity and resilience on the part of those leading such a move to plan, negotiate, consult and implement
- Sufficient additional capacity to undertake all of the necessary legal, HR, financial and other work required both to launch and then operate the new constitution
- Desirably, access to the advice and guidance of those that have already done it previously

As a rule of thumb, and based on experiences of others, spinning out of LA control seems to take at least twice the amount of time first envisaged, and at least twice the cost first estimated.

In terms of finance, most Local Authority run organisations are organised to be primarily concerned with the outturn at the end of the financial year. Their structures and historical ways of working expect to bankroll the operation on a day to day basis. If the LA-run organisation hits a zero-budget or better, it has ”succeeded”, at least financially. Interestingly, there is a growing incidence of LA-run services now being set targets to make financial surpluses.

With an independently constituted service, the importance of monthly financial profiling mentioned earlier cannot be overstated. If it finds itself unable to pay the workforce in any month, it has a very real problem. Bad debt is reflected immediately as a shortfall in income and can contribute significantly to the challenge of staying afloat.

It is not possible to go into detail here regarding the various constitutional models that are available when planning to spin out or externalise. But there are two key features that many experts would consider important. Firstly, incorporation (i.e. becoming a limited company) provides some protection for directors against personal liability. Secondly, charitable status offers the possibility of receiving charitable donations including gift-aid which is likely to be of significant benefit to the organisation. Many independent services would require both of these features.

Dissolution

If, after all other options for developing resilience have been considered, and perhaps some tried, some part-tried, but none achieving desired success, and the ability to withstand and respond to “shocks” has dissipated, there remains one option: to dissolve the organisation and to cede its responsibilities, strategically, operationally and financially, to one or more other organisations, or groups of organisations and/or individuals elsewhere.

This is the most extreme scenario. Nonetheless it is a potential option for those organisations that face the most challenging scenarios and for whom developing resilience is too late in their strategic and operational cycles, and for whom there may be no alternatives.

Whilst it is an option many would strive to avoid at all costs, there may be advantages if the current operation has ceased to be viable and an entirely new approach needs to be sought. It may lead to fair redundancy settlements for current staff and might offer a real opportunity to start a new innovative business model without the constraints of other options.

B.7. Managing Change

Managing change is complex. As an area of study it has been the focus of countless research programmes, books, academic studies and papers written by business gurus, academics, entrepreneurs and others. The literature on the subject is vast in number and wide-ranging in content and approach. Anyone studying the subject can be both inspired and somewhat overwhelmed by the range of perspectives and approaches.

We all have to make our own sense of what is written and postulated by others, and come to our own conclusions. All this guide can do is point to a few key principles and encourage colleagues to read and research further. And bring in specialist support if needed, and if it is not readily available locally.

If Charles Handy’s “Sigmoid Curve” has an application to organisations, then it might be assumed that every organisation will need to implement changes at some time in their existence, perhaps even on a regular basis. Some changes may be major, some minor.

Many would argue that “evidence-based change” is most likely to lead to transformation (rather than minor change, or change for change’s sake borne of little or unreliable evidence). Gut feelings most certainly have their place. Those blessed with a strong sense of intuition and who are able to follow their gut instincts with consistent success are very fortunate. But they are few and far between.

It is one thing to think that your organisation is reasonably resilient (based on a feeling, current trends, past history, and some foresight to see into a future). It’s an entirely different proposition to really “know” how resilient your organisation is, drawing on hard evidence, carefully collected, meticulously analysed, forensically interrogated and shared with all stakeholders and staff and beneficiaries.

B.7.1. Evidence for Change

The evidence to prompt and support approaches to organisational change will come from a variety of sources. A number of key questions can provide some of that evidence and be the precursor to setting on the journey of transformation and the development of second or subsequent “curves” including:

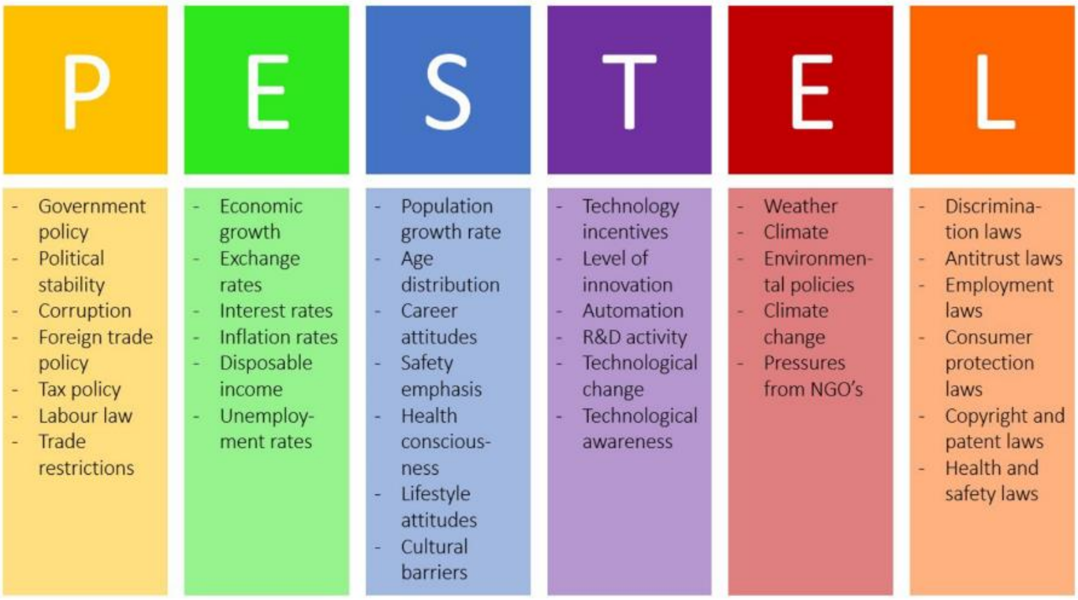
- What is going well? What are the factors that account for success?
- What is the chemistry of, and between those factors?
- How reliable or sustainable are those factors in the future?
- What could we be doing that we are currently not?

- What should we be doing that we are currently not?
- What factors or issues, currently in play or on the horizon, might be prompting change?
- Is the evidence for these factors and issues reliable?
- How has the evidence been collected?
- Is more evidence required and from where?
- In the light of the evidence, what changes are required?
- Has the right number and range of options been considered?
- How will changes affect our business model? Are we open enough? Or are we blind to something that feels obvious – if not now, some point in the near future?
- Are the proposed changes major (potentially transformational) or relatively minor?
- How and when should the changes be implemented?
- How much will the changes cost, and will it be worth it?
- What issues might get in the way of implementing change? How significant are they and how can they be overcome?
- How will the success of the changes be measured or evaluated?

The answers to these, and other questions can become the evidence on which to consider and base change.

Many will use a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) to answer some of these questions, to identify key evidence to support consideration of change. Whilst this is a highly useful and most valuable approach it may not, on its own, produce a large enough range of evidence. It sometimes depends on the range of stakeholders involved in the SWOT analysis and over what period of time.

Some will be familiar with a PESTEL analysis. This is a further development of the SWOT analysis, and particularly in drilling down further into various dimensions, especially potential threats to the organisation and its way of working: Political, Economic, Social, Technological, Environmental and Legal. The following diagram provides a useful summary of some of the issues to consider when undertaking a PESTEL analysis.



Graphic courtesy of business-to-you.com

So, an organisation has undertaken a SWOT analysis and a PESTEL analysis to provide some evidence of how well things are going and what needs to be considered for the future.

The evidence base for making decisions on change will, crucially, also include data that an organisation collects and scrutinises on a weekly, monthly, annual or even ad-hoc basis. In MEHs this is likely include:

- regular budget monitoring,
- analysis of trends in buy-back,
- uptake and participation of service lines such as WCET, progression routes, ensembles
- uptake, participation and impact of CPD
- information submitted in the annual data return
- trends in staff recruitment and retention
- feedback from customers and clients

It is not the collection of the data that is important; it is its accuracy, reliability and quality of its analysis that underpins effective decision making.

B.7.2. So, change seems necessary. What now?

If, after considering a range of evidence, an organisation has concluded that it has to make changes to improve, or to become more resilient, or to achieve a more secure future, it will have also identified some of the available options for change, and shortlisted those that appear to be the most beneficial.

In doing so, it will have returned time and again to the evidence to ensure that the shortlisted options are not just "the most attractive", but do genuinely enable the organisation to embark on the most important changes. Some may be major transformational changes, others may be more minor.

Depending on its constitution and context a music education organisation may then need to undertake a range of planning, consultation and advocacy with different groups which might include staff, governors, elected members stakeholders and others. Some of the following may need to be undertaken:

- Strategic options analysis – including strengths and weaknesses of shortlisted options, potential impacts on budgets, finance, staff, customers, clients
- Target Operating Model – defining the new or different business model and ways of working
- Budget forecasts for the next 2-5 years
- Organisation improvement plan – showing changes and improvements to key outputs, outcomes and performance indicators
- Risk Register and analysis – showing where and what the key risks are, and what mitigations are in place to address them
- Organisation/staffing restructure papers and processes

It is worth reminding ourselves, that all of these have been done by senior and middle leaders of music education organisations before. Managing change can be amongst the loneliest of times in leadership. Colleagues, networks and membership bodies are a rich source of support and help.

An approach to managing change

There are many approaches to managing organisational change. Charles Handy, mentioned earlier, is a prolific writer on the subject.

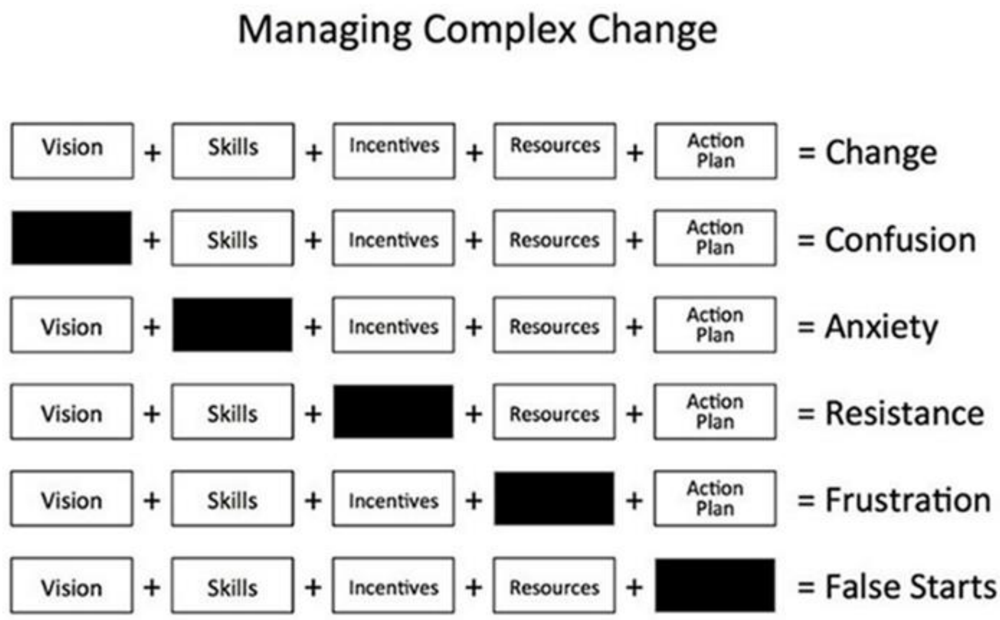
Dr Mary Lippitt is a respected author on leadership and business development. She founded Enterprise Management Ltd. in 1985 and articulated an interesting approach to managing complex change. Although over 30 years old, the approach still has an application in contemporary contexts including MEHs. Its key advantage is its simplicity.

In her model, Lippitt identifies five dimensions to initiate and successfully implement transformational change:

Vision + Skills + Incentives + Resources + Action Plan

> **Vision** – a clear view of what the changes will bring to the organisation, its services, its customers and clients. The vision will articulate overall aims, goals and guiding principles. It will underpin the buy-in from staff and stakeholders and their commitment to change.
>
> **Skills** – the functional, technical, and emotional competencies necessary to manage the transformation, such as having project management capacity, specialist skills, training and support programmes and, importantly, excellent communication with and amongst staff and stakeholders.
>
> **Incentives** – the stimulants to encourage staff and stakeholders to commit to the changes, the processes and their anticipated outcomes. Different stimuli may be needed at different levels and at different times in the process. They are not necessarily “rewards”, but they might be.
>
> **Resources** – the human resources, finance and budget capacity, hardware, software, equipment, frameworks and methodologies. A real transformation will usually require a large range of resources.
>
> **Action plan** – the plan for bringing about the change(s), the roadmap with milestones of achievement, points for evaluation and review, incremental and sequential steps, clustering of work streams, defining timescales and who is responsible and accountable for sections, steps, and the whole.

Lippitt’s argument is that all five dimensions have to be not only present, but clearly thought-through and well-developed. The simplicity of her model lies in her contention of what happens if one or more of the dimensions is missing, or is under-developed, or ill-considered.



Graphic courtesy of Dr Mary Lippitt 1987 founder and president of Enterprise Management, Ltd

If **vision** is missing, despite all other ingredients, **confusion** will abound amongst staff and stakeholders, with the distinct possibility of chaos descending upon the programme for change.

If the necessary **skills** are missing, it will lead to **anxiety** - who will actually do the work and how will the job be undertaken and/or completed successfully?

If **incentives** are missing, there will be the potential for **resistance** to change, from staff and stakeholders; as they may not have the motivation to adapt to the change(s) or take the risk of new ways of working.

Without the right **resources** in place, the programme for change may underachieve or fail to hit milestones on time, or even at all, leading to **frustration**.

Without a well-devised and robust **action plan** to lead the programme for change, there may be several **false starts**.

In Lippitt's view, managing complex change requires all five dimensions, in the right amounts and at the right time.

Some commentators argue that Lippitt's framework is too simple and that managing change is much more complicated. Some others may argue that the framework is incomplete or not necessarily in the right order.

It is beyond the scope of this guide to undertake a literature review on the subject of managing organisational change, and many readers will come to their own conclusions about which approaches may be most suitable or useful. Indeed a number of senior and middle leaders of MEHs have pursued studies into this area and more may wish to do so in the future.

However the next time you or your music education organisation is considering transformational change, it may well be helpful to consider Lippitt's framework. If you know that you have all the dimensions of the framework in place, to make the change(s) at least feasible, it wouldn't be a bad starting point.

A final thought, and perhaps the most obvious. Whatever approaches are taken, one of the important keys to managing change successfully is communication. Ensuring that clear, unambiguous and consistent messages are communicated regularly amongst staff and stakeholders is paramount. This author has seen many a change, large and small, in organisations up and down the land. Where communications have been thorough, well-planned and delivered effectively they have formed an important foundation upon which to plan, build and deliver successful transformation. The converse is also true.

B.7.3 What other approaches are there?

This guide was conceived as a starting point on the topic of developing resilience in MEHs and specifically in their lead and delivery organisations. It has been updated since its first publication in January 2019, but it is certain that there will be other approaches, different options, or variations on options to be considered, over and above those identified so far.

As has been said a number of times throughout the guide, context is crucial. It is rarely possible to successfully transplant changes made elsewhere into one's own organisation without taking steps to ensure that local contexts are taken into account and plans revised accordingly.

Some organisations are well on their way in developing resilience. Some might be at the very start, some on a point in between. Sharing what has worked, and crucially, in what context, and in what circumstances, will be an important feature of assisting the whole music education sector to grow in this important way.

It is hoped that this guide has provided some thoughts on the process, but also some encouragement to share with others what has worked in the past, and what is working now.

How have you approached developing resilience in your organisation? What have been the important developments, initiatives, and steps along the way? What options have you considered? How have you trialled them, or implemented them? What has been their success, or otherwise, in developing resilience? How do you know? What accounts for that success, or otherwise? What are the key factors, and what guidance would you give to others? What are the key warnings for others? Would you be willing to share with others your approaches and the options you have followed?

Postlude

The example of Kodak cited earlier is by no means unique in commercial history. But neither has the music education sector been immune from such financial and structural "shocks" in the past.

The mid-late 1990s were witness to a number of music services being dissolved and closed because their business models were unable to respond quickly enough or strategically enough to manifest and latent "shocks" of the implementation of "Local Management of Schools" combined with the development of "Grant Maintained Schools" and the consequential budget reductions in schools, Local Authorities and elsewhere.

There has been a number of arts sector charitable music organisations that, in the last two decades, have closed because they were unable to withstand the "shocks" of losing some or all of grant funding when tough decisions were made at a national level.

In the current context of turbulence, and the political and economic uncertainties of what may lie ahead, music education organisations might want to consider how to develop their resilience, to bounce back, or bounce forward from whatever "shocks" may come down the line in the coming months and years.

But even if the "shocks" that may appear in the future were to be small in number or perhaps tiny in magnitude, organisations might also want to consider the thoughts of Charles Handy.

He asserts that we all exist, as organisations and as individuals, in a natural life cycle, – a Sigmoid curve - and that, at some point, we will inevitably decline before we finally end. Unless, of course, we find ways to begin a new curve before the decline sets in! Apple, Virgin and others demonstrate well the art of how, and why, to begin new curves.

It is hoped that this guide provides a reality check for those involved in music education, and especially lead organisations and delivery partners of MEHs:

- not to take for granted what is currently in place,
- to think about what issues and opportunities are, or might be on the horizon,
- to gauge in the cold light of day what the potential impact of a range of "shocks" might be on their organisations and on their beneficiaries: schools, young people, parents and others,
- to think about where their organisations are in their "life cycles" – are they still growing, reaching maturity or declining?
- And then to consider what they might do about it.

"There is nothing permanent, except change."

Nigel M Taylor
October 2019