



SOUTHBANK CENTRE

Name: Phil Normand

Student Number: 2006058

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Lecturer: Judith Shapiro

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1. Introduction

In this report, I will analyse London's Southbank Centre, a complex of artistic venues located on the South Bank of the River Thames. The analysis will aim to provide a broad overview of the art centre's history and its market, as well as describing the micro and macro environment in which it operates. The report focuses on the organisation's economic development leading up to the Covid-19 pandemic and applies economic theory to the business decisions made by the senior management team to evaluate the financial viability of the centre's future.

To end the report, I will discuss how lean business methods and techniques can be applied to the centre so that its business can develop and grow in the arts and entertainment sector. This application and assessment of lean methods will critically evaluate sources and routes to creative project financing and will call attention to the strategies of raising capital for the organisation.

2. A brief history of Southbank Centre

The organisation is a registered charitable trust with a single corporate trustee, Southbank Centre Limited. The institution

originated from the Festival of Britain in 1951 and the Royal Festival Hall. The Festival aimed to demonstrate Britain's recovery from World War II, showcasing its achievements in science, technology, arts and industrial design (Gill, 2016). The organisation was owned by the Greater London Council until its abolition in 1986 with the current company forming in 1988. The company manages three venues and an art gallery as well as the Saison Poetry Library, Arts Council Collection and Hayward Touring Exhibitions.

The centre today is the largest arts centre in the UK and is one of the nation's top five visitor attractions. The centre has a long-term lease on a 11-acre site that occupies a prominent riverside position in one of London's most vibrant cultural sectors. The centre is home to The Royal Festival Hall, the Queen Elizabeth Hall, the Purcell Room and the Hayward Gallery. Being a cultural hub based in the heart of London, the objectives of the community are manifold. Their ethos is to "seek out the world's most exciting artists, from household names to fresh new talent, and give them space to showcase their best work" (Southbank, 2019). The organisation also has four Resident Orchestras (London Philharmonic, Philharmonia, London Sinfonietta and Orchestra of the Age of Enlightenment) and four Associate Orchestras who all contribute to their "world-class classical music programme" (Southbank, 2019).

Southbank Centre Limited has two wholly owned subsidiaries, which it holds on behalf of Southbank Centre - The Southbank Foundation Limited, a dormant registered charity and company limited by guarantee, and the other is Southbank Centre Enterprises which manages a number of commercial activities on the Southbank estate. The financial results of the trading company are integrated into those of the charitable trust (Robinson, 2016).

2.1 Major events

In April 2018, the Queen Elizabeth Hall and Purcell Room reopened their doors following a three-year refurbishment programme (Southbank, 2020).

On 17th March 2020, the whole site closed due to the National lockdown restrictions of the Covid-19 pandemic. Senior management announced that the site would remain closed until April 2021 with only the Hayward Gallery being allowed to open during this period (Southbank SOS, 2020). Following the closure in March, the centre furloughed the majority of its staff. The complete closure of the site halted all income from artistic activities and the CEO claimed that the organisation had lost 60% of its income (Bedell, 2020). According to 2019 financial reports, artistic activity made up 26.7% of operating

income (Southbank, 2019). The remaining 33.3% of lost income from the overall 60% is due to the closure of restaurants, bars and shops and the postponing of corporate events. Consequently, on 15th July, between 63-68% of the workforce were made redundant, representing 400 people across all departments (Southbank SOS, 2020). This was strongly opposed by the workforce in a formal letter addressed to the senior management team which questioned whether the widespread redundancies were the most economically viable solution. Reducing staff numbers by roughly two thirds only amounts to a reduction in payroll of 30-35% across the organisation (Southbank SOS, 2020). This is because the majority of redundancies involve lower-paid and younger workers. People from BAME backgrounds and workers with disabilities are also the ones who have been most affected by the changes.

Figure 1 shows a historical list of events at the Southbank Centre and its estate from 1951.

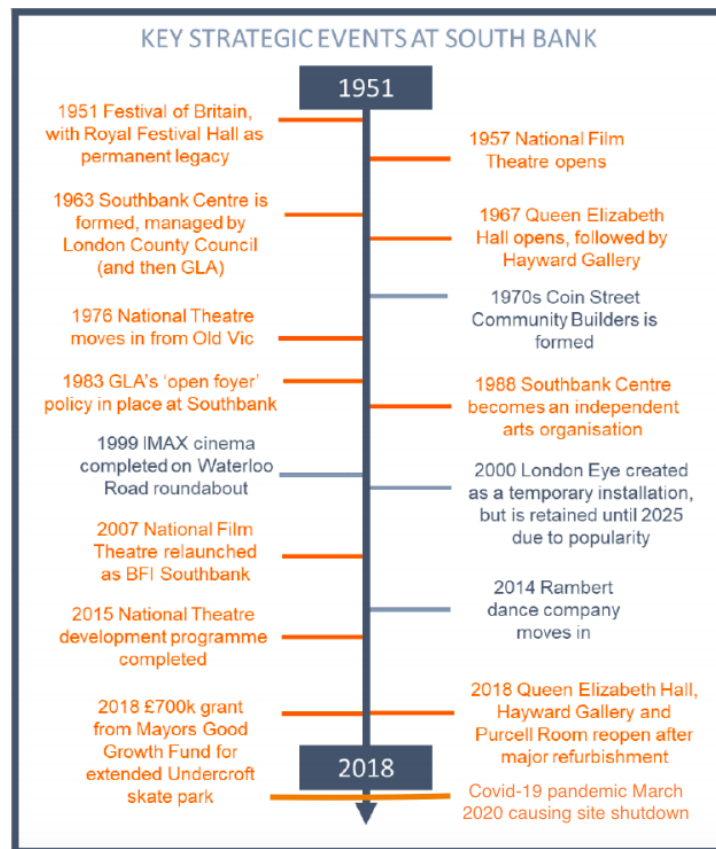


Figure 1 - Timeline of events at the Southbank Centre (Hatch Regeneris, 2020)

2.2 Change of directors

The current Board of Governors is made up of a group of 14 people with Ms Susan Gilchrist as Chair and Mr David Kershaw as

Deputy Chair. All new Governors take part in an induction programme so that they can be briefed on the charity's objectives, strategy and activities.

In 2019, CEO, Elaine Bedell appointed Madani Younis to the artistic team to replace Jude Kelly (CBE) as Creative Director. This change in personnel endeavoured “to deliver a cohesive and vibrant new artistic vision” for the Southbank Centre and “to encourage unique cross-artform collaborations and site-wide projects...” (Southbank, 2019).

Under the former Artistic Director Jude Kelly and CEO Alan Bishop, the organisation adopted an innovative business strategy of value proposition (Robinson, 2016). This type of model focuses on the customer and intends to tell them what the company stands for and how they operate (Twin, 2020). The model is “centred on bringing together artistic and commercial entrepreneurship that creates diverse incomes” (Robinson, 2016). The change in model has proven to be successful for the organisation by bringing the following advantages:

- 1) Increase in artistic activities and experiences for visitors
- 2) Diversifying revenue streams
- 3) Improving and utilising the resources available

The advantages of the model mentioned above is held together by a “programme-led development” that includes more festivals (Robinson, 2016). The one-off and annual festivals utilise all of the sites resources and diversifies revenue streams and artistic activity. Establishing a ‘festival feel’ enables the Southbank Centre “to develop multiple platforms across artforms” and develop a more effective marketing strategy that is larger and more complex (Robinson, 2016). The festival model also attracts new and existing commercial sponsors which can provide further funding to increase the operating income. The festival model also works in tandem with other commercial entrepreneurship such as the inclusion of weekly markets, pop up restaurants, and the summer comedy, circus and cabaret festival with ‘Udderbelly’ (Southbank, 2020).

This business strategy that was introduced by Kelly and Bishop drastically changed in response to the Covid-19 pandemic. The organisation in July 2020 proposed a new business model for its re-opening in 2021 based on ‘start-up’ principles that involve artistic activities being given 10% capacity across its venues with 90% reserved for rental (Southbank SOS, 2020). The senior management team stated on 4th August that “without action to manage this situation by reducing our costs and developing a new model, there will be no future for the centre” with claims that the organisation had lost £25

million in income in the current fiscal year (Southbank SOS, 2020). Bedell, the current CEO stated that the entrepreneurial model prior to the pandemic was successful but many have criticised the way in which the institution has handled its debts in the past. Bedell’s responded to the criticism with the statement: “I don’t know an artistic business model that is pandemic proof” (Harris, 2020). There are concerns that the new model based on ‘start-up’ principles could dilute the artist-led programme of the centre as priority will be given to higher profile events that generate a greater revenue (Spencer, 2020).

2.3 Partnerships

The Southbank Centre joined forces with The Barbican, National Theatre, Royal Opera House in 2017 to create a cross-organisation mentoring scheme called ‘Momentum’ to generate support for the wider cultural and creative industry ecosystem. Members of staff from each institution received a mentor from an institution different to their own.

Through their own investments as well as wider strategic partnership work, the Southbank Centre has stimulated commercial development within the area (Hatch Regeneris, 2020). The Lambeth

Council Strategic Plan is working in partnership with the Southbank BID and Southbank Employers Group which is also supported by the property director of the Southbank Centre to continue the development of the Southbank community and wider Lambeth area. This is further supported by local forums and community groups that aim to promote investment in the local area (Hatch Regeneris, 2020).

The institution also sustains the wider arts ecology by hosting the National Poetry Library, managing the arts council collection and also delivering the Hayward Gallery touring programme.

3. Economics

3.1 Products, services and customer base

The Southbank Centre is a multifaceted organisation that has a wide range of products and a diverse customer base. The organisation provides facilities for the performing and visual arts.¹ The strategic approach of the organisation consists of a four-part framework – visual art, music, literature and performance (Hatch Regeneris, 2020). On top of this, the framework consists of “cross-

disciplinary opportunities, supported through its learning programme, site design, festivals and public participation programming” (Hatch Regeneris, 2020).

The customer base is of considerable size with 4.45 million people visiting the centre in 2018 alone (Hatch Regeneris, 2020). The extensive range of ticket bookings highlight the diverse demographic that visit the Southbank Centre. Across the artforms, the highest proportion of tickets that were booked in 2018 were for the classical series at 331,000, followed by festivals (241,000), visual art (232,600), performance (160,400) and gigs (148,400). These proportions are represented in figure 2 as percentages.

¹ Performing arts can be defined as “forms of creative activity that are performed in front of an audience, such as drama, music, and dance”. Whereas visual art is “creative art whose products are to be appreciated by sight, such as painting, sculpture, and film-making (as contrasted with literature and music)” Oxford English Dictionary.

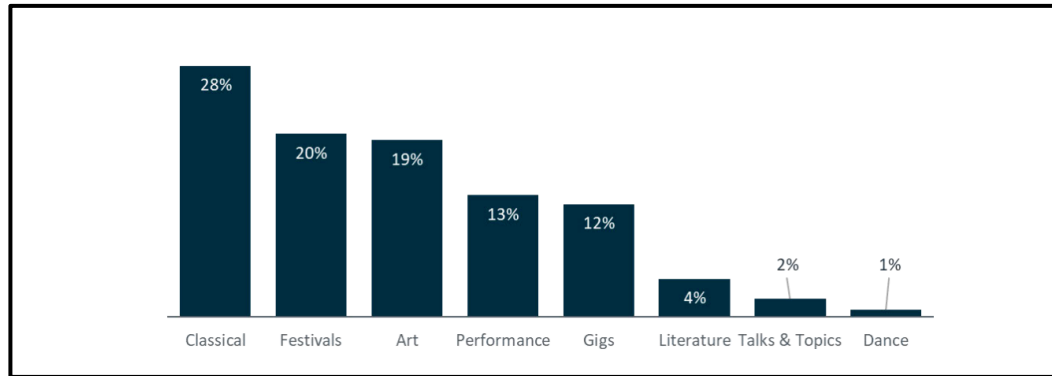


Figure 2: Ticketed attendance by artform, 2018/19.

Source: Annual attendance by month – Artform Festival Series (Hatch Regeneris, 2020)

According to a survey undertaken by ALVA in 2018/19, the majority of visitors to the Southbank Centre were local with 55% being from the UK and from that 87% were from London and the South East which suggests that 1.2 million visitors were from London. Furthermore, the centre strives to support local inner-city London residents such as in the borough of Lambeth and Southwark by providing free programme and other concessionary options, with

² ALVA stands for the Association of Leading Visitor Attractions. There are hundreds of tourist sites based in the UK registered with the association. “ALVA represents the views and achievements of the country’s

“1350 free events and 17,000 tickets issued with concessions in 2017/18” (Hatch Regeneris, 2020).

A large number of visitors also come from overseas. In 2018/19, 45% of visitors were from countries outside of the UK (Hatch Regeneris, 2020). Figure 3 shows the proportion of international visitors by top 5 regions in comparison to other London ALVA sites.²

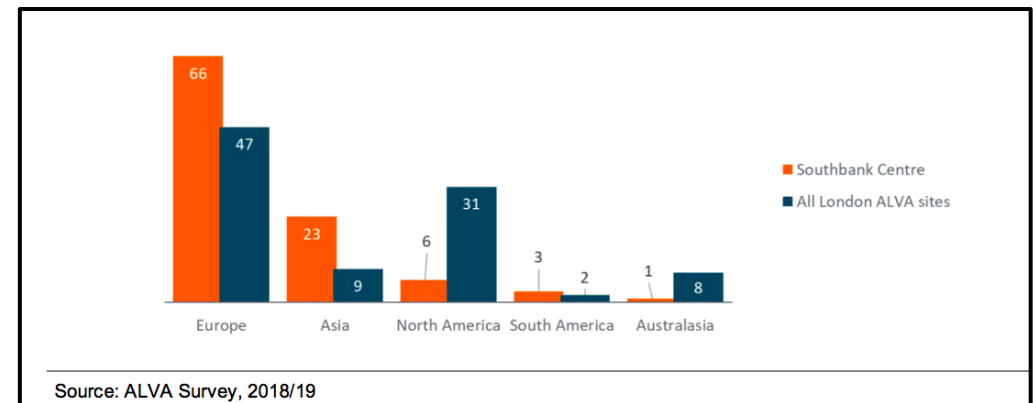


Figure 3: Proportion of international visitors by top 5 regions, %, 2018/19

There has been a significant development in the centre’s digital market. With the outbreak of Covid-19 and wider trends demanding for virtual arts and cultural content, the community has had to adapt to find alternative ways to generate revenue whilst the

foremost visitor attractions to Government, the broader tourism industry, business, media and the public” (ALVA, 2020)

facilities have been unavailable. Digital development “continues to be a strategic area of growth for the Southbank Centre”, and the recruitment of an internal content team in 2017/18 aimed “to expand audience reach and engagement” (Hatch Regeneris, 2020). The launching of a new website in 2016 and investment in their social media presence has generated new visitors with 67% of visits to the Southbank Centre in 2018/19 being prompted online (Hatch Regeneris, 2020). Engagement with the organisation’s Twitter, Facebook and Instagram accounts increased by 4%, 12% and 52% respectively between 2017/18 and 2018/19 (Hatch Regeneris, 2020).

3.2 Pricing strategy

The Southbank Centre is principally funded by the Arts Council England, with an £18.6 million grant in 2018/19, representing 37% of its income (Hatch Regeneris, 2020).

The pricing of tickets at the Southbank Centre is varied with a number of free programme events and other concessionary options being made available. As outlined in their annual report, the Governors refer to the Charity Commission’s general guidance on public benefit and fee charging when planning future activities. By obeying the Charity’s Commission’s guidance, the organisation is

fulfilling its role as a registered charity. As a result, the pricing strategy is reliant on the public benefits rules and regulations. To satisfy these public benefits, the purpose of the organisation must “benefit the public in general” (Charity Commission, 2014). Therefore, ticketing prices are carefully considered to ensure that those on low income can access the Southbank Centre’s events (Southbank, 2019). The chart in figure 4 depicts how the institution’s funding is divided up.

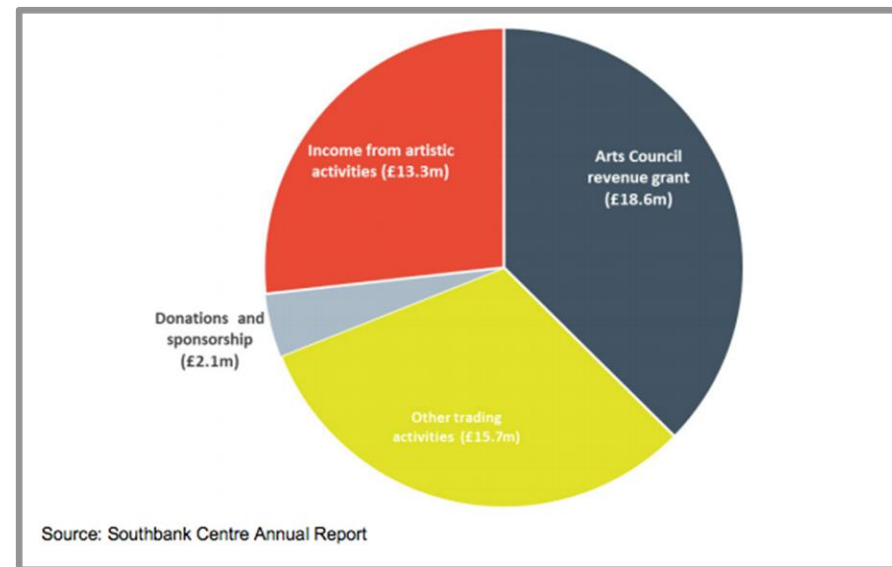


Figure 4: Breakdown of Southbank Centre Funding in 2019

The funding provided by the Arts Council (ACE) revenue grant of £18.6m, sponsorship and donations of £2.1 million, income from box office and other commercial activities covers the operating costs and enables a greater flexibility on ticket prices (Southbank, 2019). Without this extra funding, the organisation would not be able to provide free events and concessionary choices.

It is worth noting, that the ACE funding to the Southbank Centre has decreased annually for at least the last 12 years. In 2008/09, the organisation was 58% publicly funded, decreasing to 43% in 2016/17, and 37% in 2018/19 (Southbank, 2020). With these cuts in mind, it is evident that their financial management has been sound, supported by a strong entrepreneurial outlook. This decrease in public funding shows that self-generated income has grown, alongside an increase in expenditure on the artistic programme and allowing greater public access to the site's facilities. For the public to be able to access more of the site, the Southbank Centre has increased the costs for operating the site (Southbank, 2020).

3.3 The Market

The market that the Southbank Centre operates is not only one of ticket sales and artistic activities. A significant proportion of the operating income, as shown in figure 3 above comes from “other trading activities”. These activities include retail sales, concessions, hall and space rentals and membership subscriptions. Retail sales from the Southbank Centre Shop, Riverside Terrace Café, Central bar and Skylon restaurant, surrounding temporary markets and pop-up restaurants contributed £1.8m of the total £15.7m of other trading activities to the organisation in 2018/19 (Hatch Regeneris, 2020). Since the redevelopment of the Royal Festival Hall in 2007, a major source of commercial income for the centre has come from restaurants. This commercial activity through the refurbished site covers the building costs and makes capital improvements from commercial loans (Robinson, 2016).

Similar to the discontinuation of artistic activity due to Covid-19, the disruption to the organisation's food business has been considerable with all on-site café's and bars closing down.

3.4 The macro environment that it faces

The Southbank Centre contributes significantly to the UK's economy and it is crucial that the Government continues to support the organisation throughout the Covid-19 pandemic. The organisation has a number of supply side impacts on the economy with its support for the arts and cultural sector. It allows artists and smaller cultural organisations to showcase their work as well as providing them with networking opportunities, training and experience (Hatch Regeneris 2020).

The site also promotes enterprise because of the many pop-up businesses and stalls that operate on site. The businesses benefit from the many festivals that the centre hold throughout the year (Hatch Regeneris, 2020). A significant number of jobs are created by 36 mixed market traders and outside restaurants as well as 11 seasonal businesses on site (Hatch Regeneris, 2020). This trade that happens in addition to the artistic events increases footfall, subsequently increasing revenue and the sites financial contribution to the UK economy.

Tourism also has a significant impact on the macro environment of the organisation. 45% of visitors are from overseas and roughly 1 in 10 of international London visitors in 2019 visited to the Southbank

Centre (Hatch Regeneris, 2020). It is estimated that tourist visits to the centre "...brought in around £480m of additional expenditure to London..." which equates to roughly £117 per visitor (Hatch Regeneris, 2020). This revenue generated from tourism supports a number of businesses on the Southbank such as restaurants, bars and shops.

The entire economic impact of the Southbank Centre "is estimated at 970 full-time equivalent (FTE) jobs and £30.7m in gross value added (GVA) in London" with an additional 1200 FTE jobs and £42m in GVA across the UK (Hatch Regeneris, 2020).

Prior to the widescale redundancies, the organisation employed 600 permanent and temporary staff to support the functioning of the centre as well as the exhibitions and festivals. Out of the 600 staff, 90% were from London which shows considerable support and impact the centre has on the local economy. The surrounding restaurants and bars support around 250 jobs annually with additional seasonal jobs (Hatch Regeneris, 2020). The four resident orchestras and other associate orchestras also require a large workforce either as musicians or in supporting roles.

The income from artistic activity has not only been crippled in the arts sector as a result of Covid-19 but also in the food business consisting of pop-up markets and restaurants. During the first national

lockdown, non-essential shops and restaurants were forced to close and none of the businesses on the site paid their rent. As a result, the centre in July moved to a more commercial model to deliver the programme which has proven to be a fragile one (Peirson-Hagger, 2020). The new operating model of 10/90 arts to rental split is further commercialised and arguably could have a long-term negative impact on the community.

However, the Southbank Centre has to develop new delivery models to find new ways of working as well as fund new income streams and establish new partnerships to develop in the future.

The emergency funds from the ACE is a short-term solution. The long-term economic repercussions of Covid-19 as well as Brexit could arguably lead to further public spending cuts on arts and culture in the UK which will create clear challenges to the Southbank Centre and all the people that work on the site.

The ACE and James Bird, the Head of External Affairs and Policy at the Southbank Centre, are aware of the possible restraints that Brexit may bring to the organisation in the future. He said that working with European partner companies and artists could be “more difficult and financially onerous” (Bird, 2019). A no-deal Brexit will arguably affect the freedom of movement of artists and touring projects between the UK and the EU as well as exchange rates

impacting the centre’s finances. Furthermore, the operation of commercial tenants and security contractor of the organisation could be disrupted if there are labour and material shortages (Bird, 2019).

A no-deal Brexit may be detrimental to the economic development of the organisation. However, leaving the EU may enable the Southbank to expand international opportunities outside of the EU and also reduced EU regulations may make administrative duties easier such as applying for funding and analysing reports (ICM, 2017).

4. Major competitors

4.1 The Barbican Centre

The Barbican is another multi-faceted organisation that relies heavily on government funding. The centre received £17.4m from the City of London (39% of total income) and £464,000 from ACE. The centre’s total operating income in 2019/20 was £45m. Box office and trading activities represented roughly two thirds of this figure. The centre’s business model, akin to the Southbank, is one that aims to generate as much revenue from ticket sales as possible. It is a cultural hub that provides arts programming, film, music, visual arts and theatre. Their programme ‘arts without boundaries’ endeavours to

expose more people to the arts and push the boundaries of all artforms through their international artistic programme and creative learning activities (Barbican, 2020).

The 'Live from the Barbican' series began on the 4th October 2020 to deal with the restrictions on venue capacity. The events can be live streamed for £12.50 compared to the live price of £20 (Barbican, 2020). This system has diversified the centre's revenue streams and will continue to be a crucial part in its financial growth until a greater number of people have been vaccinated.

The Met Opera at the Lincoln Center also have in place a streaming system called the 'Live in HD' series which uploads daily performances to their website so that fans can watch from home.

Both the Barbican and the Southbank need to continue to work in partnership during the Covid-19 crisis to find alternative ways for the arts to prosper at their respective organisations.

4.2 Other markets - Covent Garden

The Covent Garden Market was also hard hit by Covid-19 restrictions which forced businesses to adopt new business models. 'Nature's Choice', a fruit and vegetable wholesaler developed a home delivery service so that income could still be generated during

lockdown. Keeping the supply chain going saved hundreds of jobs at the market and also in farming (Auld, 2020). Online delivery and apps such as 'Deliveroo' and 'Uber Eats' are tools that could support businesses at the Southbank site during the Covid-19 crisis.

4.3 Comparator - The Sage Gateshead

The Sage Gateshead, based on the southside of the River Tyne, is the cultural hub of the North East and the organisation is facing similar challenges due to Covid-19. The venue received £1.8m from the Culture Recovery Fund in July as a portion of the £1.57bn rescue package from the UK government (BBC, 2020).

5. Finance

According to the 2019 financial report, the operating income (profit from ongoing operations) of the Southbank Centre increased by 17% from 2018 to 2019 because of an expansion of artistic and commercial activity (Southbank, 2020). This expansion was result of the reopening of the Festival Wing – the Hayward Gallery re-opened in January 2018 - and the acoustic design of both the Queen Elizabeth

Hall and Purcell Room were upgraded to more up-to-date technology.

Figure 5 summarises the organisations' operating income:

Income	2019		2018	
	£'000		£'000	
Donations and sponsorship	2,125	4%	1,914	5%
Arts Council revenue grant	18,617	37%	19,186	45%
Other trading activities	15,715	32%	13,695	32%
Income from artistic activities	13,313	27%	7,821	18%
Interest receivable	16	0%	15	0%
Total operating income	49,786	100%	42,631	100%

Figure 5: Breakdown of the Southbank Centre's profit from ongoing operations income

During the Festival Wing refurbishment, income from artistic activities had limited growth, fluctuating between £7m and £9m. The re-opening of the Hayward Gallery and Queen Elizabeth Hall resulted in a significant increase in income from artistic events up to £13m. The re-opening of these concert halls contributed to the programmed model established by the former Creative Director Jude Kelly making it even more successful. Having two more fully functioning venues considerably increases the number of visitors to the centre which subsequently raises commercial income.

Bringing together commercial and artistic entrepreneurship has brought cultural success and has increased the organisation's self-

generated income. As shown in the figure 5, income from artistic activities between 2018 and 2019 increased by 9% (£5,492,000).

The finances of the Southbank Centre are heavily reliant on council funding and sponsorship. As a result, the organisation's operating costs are based on a reserves policy that helps to support the spending of the charity. The objective of a reserves policy is to explain to existing and potential funders, donors and other stakeholders why the charity is holding a particular level of reserves and it helps give stakeholders confidence "that the charity's finances are being managed and can also provide an indicator of future funding needs" (Sightsavers, 2018). In other words, it is an indicator of how financially sustainability of the charity.

To ensure financial stability, the organisation aims to keep adequate levels of these reserves so that cash inflows are sufficient.

Prior to 2020, the organisation strengthened its financial position with its general reserve in 2018/19 which includes five designated reserves. Capital reserves (£49.7m), revaluation reserve (£169.4m), Hayward Gallery Prints Funds (£0.006m), Strategic Reserve (£0.3m), Pension Plan Reserve (£1.07m).

In 2019, the total net assets of the organisation were much greater than their total liabilities. This is a sign of financial stability

and it signifies economic growth. The figures from 2019 reveal a 1.6% decrease in net assets for the organisation from the previous year. However, their liabilities have also decreased:

	2019	2018
Fixed assets	£248,969,000	£253,955,000
Current assets	£10,899,000	£10,045,000
Total net assets	£259,868,000	£264,000,000
Liabilities	£15,900,000	£15,030,000

The institution needs to invest further into the digitalisation of artistic output to decrease the annual operating deficit of 2020. Having digital technology that is appealing to consumers will open up new revenue streams and subsequently raise operating income. The site's website has already had success receiving 9 million visits in 2018/19 increasing by 29% on the previous year. Furthermore, social media coverage also increased with Instagram usage rising by 52% (Hatch Regeneris, 2020). However, the use of live streaming services is limited in comparison and it is this technology that is crucial during the Covid-19 crisis.

Recent major financing and investment activities

The two-year capital refurbishment project mentioned above consisted of restoring the Hayward Gallery pyramid roof lights, refurbishing auditoria and brightening up foyers, installing new air conditioning and heating systems, and installing new production and technical equipment (Southbank, 2020). To fund this project, the ACE supported the fundraising campaign scheme called 'Let the Light In'. The campaign was divided into two parts - £4.4. million from the Heritage Lottery Fund and £4 million in trusts, grants and individual support (Southbank, 2020).

The re-opening of the Festival Wing from refurbishment activities brought the 1960s style building up to contemporary standards and "extended their economic life by at least 30 years, as well as providing the capacity to grow [the centre's] commercial and artistic revenue streams" (Southbank, 2020). Further development and expansion of the existing skatepark took place to enhance the urban arts on site. By making the most of the whole estate and public realm with the space outside as well the reopening of the Hayward Gallery and Queen Elizabeth Hall inside increased the site's footfall by 21%. This increase in footfall will continue to increase sales and drive profits up.

Footfall was also increased by improving the pedestrian walkway along the Thames which has added vibrancy to the area. One survey revealed that almost 90% of people felt that there was “always something going on” and many felt that the Southbank Centre was a place “for people like them” (Robinson, 2016). Consequently, nearby restaurants and shops were very successful prior to the Covid-19 outbreak which in turn increased the rental income of the area contributing to the site’s assets.

Discussion of the pros and cons of alternative ways of financing respective to the company

The financial model that was successful in the fiscal year 2018/19 involving significant council funding, sponsorship and reliance on capital reserves is insufficient to overcome the impact of the Covid-19 pandemic. Since 2005, the registered charity has taken out a series of loans to cover capital costs. A term loan of £15.1m was provided by AIB Group plc in September 2004 to fund estate property which is to be repaid in quarterly instalments until April 2027. Additionally, in June 2018, Lloyds Bank plc provided a term loan of £7m also repayable in quarterly instalments until 2023. Two smaller loans of £2m revolving credit facility with Lloyd Bank plc and a floating to fixed interest rate swap agreement with Lloyd Banks plc (expires

April 2027) contribute to a combined balance outstanding for the loans to be £24,757,000 in March 2019 (Southbank 2020).

The repayment of long-term loans before 2020 was manageable because of the increase in revenue from the arts events by £5,492,000 between 2018 and 2019. The model was sustainable because of a growth in capital reserves, current assets, and artistic and trading activities. The figures for operating income was forecasted to increase further because of the expansion of the festival-led programme and continuing growth in net income from self-generated activity.

To improve the financial state of the institution, a percentage of the general reserve could be used to cover the cost of staff redundancies. The Southbank SOS letter from the staff to the board of governors expressed their disappointment with the management of the organisation. One criticism of the board which was highlighted by the staff is that according to 2019 financial reports the CEO received a bonus increasing her salary to £240,750 (Southbank, 2020). A greater pay cut for the CEO and remaining board of governors could reduce the number of redundancies put in place.

6. Lean Business

6.1 What is lean business?

The main principles of lean business are:

1. Delivering value from your customer perspective
2. Eliminating waste
3. Continuously improving your processes

The idea of lean management is to analyse what is making revenue for the organisation. A number of leaders of an organisation review the processes that are adding to the company's growth which changes the overall perspective (Mollick, 2019). As stated in the second of three principles above, a lean business model uses available resources sparingly and relies heavily on organic growth (Business & IP, 2014). In order to know the demands of the customers, a minimum viable product (MVP) is established as well as a hypothesis. This MVP allows the product to be tested and refined over time so that it meets the required target market. Using an MVP enables the company to be self-critical as well as flexible by developing their products continuously (as highlighted in step 3 above). This type of validated learning or development is quantifiable, based on data such as revenue

and consumer feedback and it makes up a positive feedback loop of 'Build, Measure, Learn' (Belka, 2020).

Lean management is advantageous for a number of reasons. It decreases costs because of its efficiency (eliminates waste) so that all savings can be added to profit. Customer interactions also improve because a main principle is that value is delivered from the customer's perspective.

6.2 Drawbacks of lean business

If lean strategies are used in the incorrect way, there can be disadvantages. Lean focuses on talking to customers to get feedback on the product rather than predicting what the demand will be in the future. This is problematic because the business is then always one step behind rather than strategically planning forward. In addition to this, innovation and novel ideas can take time to become popular amongst consumers (Mollick, 2019).

Another common problem of lean methods is that companies can sometimes adapt and test the MVP too often which results in the model losing direction and the overall vision is lost. Maintaining a long-term approach prevents the process from being too time consuming or disruptive (Davies, 2020). To ensure this doesn't

happen, the MVP should be tested with data from an unbiased source that directly relates to the metric that was used to test the hypothesis at the start.

Other risks of lean business are productivity costs, high cost of implementation and supply problems (Čiarnienė and Vienažindienė, 2012).

6.3 Applying lean methods and strategies to Southbank Centre

Applying lean business strategies to an arts organisation such as the Southbank Centre would help maximise value for audiences, artists and community stakeholders. The methods would allow a reflection on programming, ticketing, website, and social media platforms. By analysing the audiences' demands, the impact of arts programming on the community could be evaluated.

As funding from the Arts Council England continues to decline, developing some principles from lean strategies would further eliminate waste and ensure that future investment and programme-led development of the organisation is done more efficiently by utilising all the available facilities on site and also that programming is done with the concert-goer in mind. Regular meetings with the Board of Governors after each major festival at the Southbank Centre could

help analyse the areas of the Festival that generated the highest revenue and then adapt accordingly for future events.

However, the adoption of 'start-up' principles from the new CEO in 2020 due to social distancing restrictions has been strongly condemned by many in the arts community because it contradicts the organisation's charitable status of supporting diversity, ensuring workers' rights and cherishing the arts.

A spokesperson for the Southbank Centre responded to the criticism of a new 'start-up' model by saying that the organisation is not adopting a new model but instead using 'start-up' strategies to "remain agile, adaptable to change, and innovative" (Peirson-Hagger, 2020). These are three principles that epitomise lean business methods and it shows that the organisation is confident that lean ideology will help the organisation grow in a time of crisis.

Ultimately, the innovation from lean strategies alone is not enough to resolve the catastrophic impact of Covid-19. The £1.57bn cultural recovery fund from the government is vital in stabilising the centre's finances until the site can safely re-open in April 2021. The additional loan from the recovery fund of £10.9m given to the Southbank Centre in December 2020 will help alleviate the repercussions of the pandemic (Brown, 2020).

7. Summary

The Southbank Centre is currently in a financial predicament. Since the beginning of its history in 1951 with the Festival of Britain the organisation has not faced a challenge as unique as the Covid-19 pandemic. The cash flows and balance sheets from the 18/19 fiscal year reflected the organisation's stable financial growth recording its highest number of visitors. However, the severe impact the national lockdown and subsequent social distancing regulations has had on the entire Southbank community is unprecedented and it is crucial that the centre's business strategies adapt so that it remains economically agile. The appropriate structural changes will prevent permanent closure. In addition, the institution requires continuous governmental support and to prevent the number of redundant staff, the DCMS select committee should step in to provide grant-in-aid funding to secure the Southbank's future (Spencer, 2020).³ Until the site re-opens in April 2021, the organisation should continue to diversify revenue streams by investing in streaming technology and online membership.

³ DCMS – Department for Digital, Culture, Media and Sport.

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