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Measuring the Economic

Value of Culture Research

Project

Summary of interviews with sector participants on valuation

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Executive Summary

This report summarises the findings from 17 interviews with professionals from the arts and cultural sector on the role of values in decision making in the sector and their experience of estimating values using economic techniques. The findings of the report form part of an Arts Council England (ACE) funded project that is assessing the values that people place on a series of different kinds of cultural assets. The group interviewed were primarily at senior manager or chief executive level and represented funding organisations and the four kinds of site analysed in the research: museums, galleries, theatres and festivals. The interviews were undertaken before the lockdown restrictions introduced in response to Covid-19 in March 2020. The views expressed will therefore not take account of potential effects arising from Covid-19 and the national lockdown.

The use of value within decision-making

The responses from the interviews indicate that arts and cultural organisations are much more likely to be using estimates of economic impact such as economic activity and jobs created to influence or support decision-making by external stakeholders (usually in relation to obtaining funding) than internal decision-making.

For the majority of arts and cultural organisations and especially for those in receipt of public funding from local government, being able to demonstrate their economic impact was seen as a factor in external decision-making.

Internal decision-making for cultural projects

Interviewees consistently described a not-for-profit framework for internal decision-making, with the widely adopted charitable constitutional structure dictating a split of responsibilities for decision-making between senior executive staff and non-executive trustees. Chief Executives are the critical players in determining what forms of value are considered and how these are estimated. None of the institutions interviewed mentioned having any board members with specific expertise in measuring the value that the institution created in economic terms.

Economic and other forms of value were considered in relation to decisions on revenue funding, (such as those taken on a one-off, annual or within a three-year basis), the programme and partnerships as well as capital projects.

The emphasis for internal decision-making was on the financial value of projects to the organisation itself, rather than the estimation of the project's value for its users and non-users. The concerns of the decision-making body tended to include mission delivery (such as artistic excellence) and social

purpose, levels of risk (not just financial risk) and how the costs will be funded, particularly the scope for attracting funding or other leverage.

A consistent pattern across interviews with arts and cultural organisations was the multi-faceted consideration of value that took place in decision-making. Interviewees referred variously and frequently to different types of value, including artistic, social, financial and brand value. It would be difficult to conclude from the interviews that economic benefits were a priority form of value for internal audiences themselves.

The data presented to internal bodies for decision-making does not appear to be hugely sophisticated and there is a high reliance on verbal rather than numerical arguments for proceeding with projects. Large organisations with significant commercial operations tended however to be much clearer about the metrics used in decision-making.

The role of valuation in influencing external decision-making processes

Arts and cultural organisations spoke of working with a very wide range of stakeholders; the precise mix is different for each organisation. Decision-making for each type of stakeholder varies in terms of the form of value that is most significant, and the quantitative data sought to inform decision-making.

Stakeholders regularly referred to by arts and cultural organisations are: Central and local government, ACE, the education and health sectors, business and philanthropy including LEPs (Local Enterprise Partnerships), sponsors, major trusts and foundations.

Interviewees tended not to group the public with other stakeholders. When discussed, members of the public were more likely to be referred to as audiences and participants or customers. Non-users were implicitly referred to as being 'hard to reach' or 'low engagement' groups, but users/non-users were not terms used by interviewees. Customer satisfaction data was mentioned by a number of interviewees.

Local government was cited most often as the primary external decision-maker affecting the institutions. Demonstrating value in economic terms was a clear factor for this type of body. More than half of the arts and cultural organisations interviewed said that they were expected to provide evidence around this, most commonly in the form of contribution to the local visitor economy.

However, interviewees said that in their experience local authorities did not uniformly require economic impact data, or if they did, the requirements varied from one authority to another. The background, context and critical issues for each authority dictated the nature of the demands.

Quantitative evidence mentioned by interviewees included low project costs, high impact on the visitor footfall or evidence of positive effects on public perception of the town or city.

All the interviewees described demonstrating value in terms of other public benefits; this was very wide-ranging covering things like social inclusion, social cohesion, mental health, the value of volunteering, literacy and educational outcomes.

The funder's perspective

Interviewees represented a variety of stakeholders, including ACE, local government, a philanthropic foundation and sector support organisations with a variety of experiences, priorities and interests.

They consistently said that the funding environment is extremely competitive for those seeking funding. They did not anticipate this situation easing up imminently. In this context, demonstrating value in terms of attracting visitor spend and/or creating jobs was frequently seen as a decisive factor influencing an investment decision. This is truer of central government, compared with local government where social value seems to be considered to an increasing degree.

Other factors in the wider environment that arts and cultural organisations and funders considered likely to impact on estimations of value included improved data practices generally, greater professionalism in services and standards for audiences and technological changes such as digital distribution.

The use of quantitative information in decision-making

There were different levels of sophistication in gathering and presenting quantitative data among the interview group. The points raised here relate to both arts organisations and funders.

At a basic level, standard output data such as the volumes of visitors/participants/audiences and numbers of sessions/performances were the most frequently mentioned. Many said that the costs of delivering the project or capital scheme was one of the most important measures they considered. More than half of the interviewees referred to customer satisfaction data (e.g. post show/visit). Those with larger commercial trading operations were more likely to mention precise metrics such as net promoter scores (an index measuring the willingness of customers to recommend a company's products or services to others).

Those who mentioned business cases in any detail or with particular confidence tended to be from larger organisations (in scale and turnover, relative to the sector as a whole) and those with a more significant trading operation. Examples given included the case for new storage facilities, digital distribution plans, and approaches to corporate sponsors. Business cases were more likely to be

presented to support capital decisions, very significant 'one-off' revenue decisions and commercial programming decisions.

Economic impact studies were the most frequently mentioned type of data produced for external stakeholders and this was for both one-off and recurring revenue decisions. There was a high level of scepticism on the part of arts and cultural organisations about these studies. The numbers produced by the studies was not considered to be particularly useful (for interviewees) for example as a management or improvement tool. Many interviewees appeared to have processes in place to generate economic impact values; sector specific tools were used to aid production of these studies (these were seen to confer credibility on the results). A few people mentioned more significant one-off studies that had been commissioned.

A small number of interviewees spoke of Social Return on Investment (SROI) studies. These all involved support from an external partner or supplier. It was more common for an interviewee to talk of social impact, but not have the knowledge, frameworks or capacity to structure this in quantitative terms.

Interviewees spoke of many different metrics that they used beyond numbers of participants/audiences. The responses overall suggest that there is minimal freedom around the presentation of data that funders required, with most people citing existing frameworks within which they need to work. The Arts Council's requirements for data were considered by some to be onerous and particularly so for smaller organisations.

The Chief Executives (or similar roles providing operational leadership) are often involved in the production of economic impact estimates, with some support from the finance or marketing and sales functions especially within the larger organisations.

On the whole, organisations tended to express confidence in being able to effectively manage the commissioning of studies from external commercial or academic organisations if they were not in a position to produce them themselves.

Awareness of valuation techniques

The level of knowledge of techniques to measure wider forms of value beyond economic impact was on the whole low with limited direct experience. Almost universally, knowledge and experience of economic and quantitative analysis was concentrated at senior management level within the executive team and had been gained on the job.

Almost all the interviewees reported their awareness of the Treasury Green Book, but in most arts and cultural organisations, their familiarity was basic, and it was not a resource they had referred to.

Those that did know of it said the language and concepts were highly technical and so were difficult for sector professionals to understand, few of whom have a background in economics. Many interviewees said they were aware of SROI techniques, but few had direct experience of these. Only a small number of interviewees said they had any knowledge of contingent valuation or recognised the term, although many people expressed an interest in the concept and in finding out more.

One interviewee had attended a briefing on the earlier museums contingent valuation (CV) study – but was not sure of when they would apply the CV method or if it could be useful to their organisation as they interpreted the study findings as estimating the effects of closure.

Most of the senior leaders had gained their knowledge and experience on an as-and-when basis as required by the job or specific organisational needs. Several commented that they did not know the range of techniques available, their relative advantages or disadvantages or particular examples of good practice but said they would be interested in this.

Increasing the use of valuation techniques to estimate the benefits that cultural organisations create

Most interviewees said they understood the nature of the benefits to their own organisation and the sector of producing financial estimates of the benefits that they create, particularly given the degree of competition for funding. No one said they would explore this proactively, but the majority said that they would engage with it, if it were a demand of their primary funder.

Professionals operating in the museums and galleries sector raised specific concerns about potential confusion around data about Willingness to Pay and the arguments for or against free admission. They were also nervous that carrying out the surveys and the resulting estimates could both negatively impact on their relationships with particular audience segments. They talked about commitments to engage with those groups for whom admission charges are a barrier to entry and the concern that quantifying the value of free entry would work against their efforts in this area.

Across the interviews, other practical issues were raised. This included time (to learn, to deliver), cost (of staff time or external suppliers), and skills (of internal staff). No particular challenges were identified around commissioning suppliers (such as quality or availability) and organisations felt reasonably confident about their ability to work with suppliers on interpreting the data.

A few people said they would need a single, credible and authoritative methodology to be adopted by their stakeholders before engaging with valuation techniques. Some people also said that to use the methodology, it would need to allow individual organisations to be able to reflect their own specific situation and allow for some nuancing (that is, they were concerned about the potential for unhelpful comparisons between one organisation and another).

A few interviewees raised concerns that might lead to the estimates from valuation techniques being seen as more important than other forms of value. This was not seen as desirable.

In terms of practical support, all interviewees said that face to face training alongside written guidelines would be the most useful. Many suggested using existing sector specific networks as the most efficient and effective channel. They were willing to engage the development of the methodology. The majority of interviewees said using economic techniques to estimate the value of the benefits that their sites create (aside from economic impact) was outside of their background or skillset and the structuring and the language of the guidance would need to take account of this.

Conclusions

The arts and cultural sector are thinking about many forms of value and communicating these to many different stakeholders. Some forms of value are quantified more frequently and robustly than others, but this varies from organisation to organisation.

Demonstrating value in financial terms was considered important, but it was not always the most important to each interviewee nor the most urgent. At least among those interviewed, the importance attached to social value appears to be growing.

Arts and cultural organisations feel considerably more confident in constructing verbal and visual narratives as part of their case for investment and less adept at quantitative data gathering and analysis.

Confidence and experience in valuation techniques are largely concentrated in the senior leadership level (non-executive staff) in arts and cultural organisations. It will be critical to engage this group.

Familiarity with existing government guidance and economic valuation techniques beyond economic impact studies is low. If arts organisations are to be asked to use these techniques, they would ideally like financial support to cover the cost of doing so – or greater confidence that it will achieve the intended benefits. They also require access to training or coaching and written materials at the point at which it is most useful to them.

1 Introduction

This report summarises the key messages arising from interviews with professionals from the arts and cultural sector on attitudes to, and experience of, estimating and presenting data about individual organisations' value.

The report is part of an eighteen-month long research programme between Nesta and Simerica Ltd, funded by Arts Council England (ACE); the programme is concerned with measuring the value of culture in economic terms and integrating the use of quantitative valuation techniques in the arts and cultural sector. The findings of the report are intended to inform the other strands of the research programme, including three capacity building workshops.

22 people were approached in total for interviews. Of the 17 that responded, all agreed to an interview (4 people did not respond to requests for interview, 1 agreed but the interview could not take place in the allotted time). The intention was to interview people at various levels of seniority; in practice most of those interviewed were at senior manager or chief executive level. Efforts were made to include interviewees from a variety of locations, scales and artforms.

The breakdown of interviewees was as follows:

- 11 professionals from arts and cultural organisations in receipt of public funding from ACE. This group included museums, galleries, theatres and festivals of differing scale and from locations across England.
- 2 from sector support organisations, that also distribute small amounts of funding
- 3 from organisations that distribute funding to the sector
- 1 freelance consultant providing advice to cultural organisations on the benefits assessment of large-scale capital projects

The interviews took place over the period September to November 2019 by phone. Interviews were semi-structured, lasting approximately one hour each with no prior preparation required from interviewees. The topics were the same for both those in receipt of funding and funders, although some minor adjustments were made to individual questions to reflect the interviewees' roles in relation to decision-making.

The interview topics covered the following:

1. The decision-making process for approving funding for a project of significant scale
2. The role of quantitative information in decision making about cultural projects

3. Interviewees' awareness of economic valuation techniques to estimate the benefits that arts and cultural sites create
4. What might be most helpful to support the increasing use of valuation techniques in the arts and cultural sector in future

When we refer to economic valuation, we mean the general approach of putting a value in economic terms i.e. in pounds, on the benefits of cultural institutions. Within this there are two different types of approach.

- a) Economic impact studies: Where estimates are made of the number of the levels of economic activity and employment that cultural institutions create.
- b) Estimates of the value of the non-market benefits that cultural institutions create using economic techniques, such as contingent valuation. These typically do not have direct economic measures, for example the benefits of visiting a free cultural institution or valuing having a cultural institution in your local area even if you do not visit.

The current project of which this report forms a part is using contingent valuation to attempt to estimate the value in economic terms that the visitors of cultural sites (use value) and non-users (non-use value) get from their presence.

The report is structured in terms of the role within arts and cultural sites of the:

- considerations of value in decision-making processes
- role of quantitative data in decision-making
- awareness of techniques to estimate the value of the benefits arts and cultural sites create
- ways to increase the adoption of valuation techniques

Key themes that emerged have been summarised. Comments have not been attributed to individuals, in line with the agreed consents.

2 Considerations of value in decision-making processes

In order to understand the context in which value might be discussed, interviewees were asked to describe their internal and external decision-making for projects of significant scale, that is where a material commitment of resources was under consideration. Where relevant, they were prompted to talk about how this varied by the scale or nature of expenditure. They were also asked to comment on decision-making processes involving external stakeholders. Views were sought as to whether the interviewee had noted changes in these processes in recent years and the factors possibly driving these changes.

The responses from the interviews indicate that arts and cultural organisations are much more likely to be using economic estimates of their impact to support proposals to external funders than internal decision-making. Only one organisation in the interview group was proactively exploring valuation methodologies as part of an overall innovation agenda, although two others did talk of their interest and intention to fill this perceived gap in their data sets.

The details around internal decision-making and external decision-making for arts and cultural organisations are set out below. The funders' perspective is summarised separately.

Internal decision-making

How decisions are made

Interviewees consistently described a not-for-profit framework for internal decision-making, with the widely adopted charitable constitutional structure dictating a split of responsibilities for decision-making between senior executive staff and non-executive trustees. A number of interviewees, particularly from the larger-scale organisations, also referred to internal sub-committees; the sub-committees responsible for finance and audit were most likely to be engaging with quantitative data. In the larger-scale organisations, there was mention of the financial thresholds for delegated authority (to the Chief Executive and Senior Management Team).

No mention was made of any board members with specific expertise in economics or statistics. Very few interviewees volunteered any views on the capacity or capability of trustees to commission, analyse or interpret quantitative data nor specific requirements placed on the executive by the board to measure value.

It was clear from all the comments in this topic that the Chief Executives (or equivalent) are the key players in determining what forms of value are considered and how these are estimated.

Types of decisions made

Interviewees were asked about decision-making for significant projects or commitments of resources. They responded with examples relating to both revenue and capital expenditure. These included:

- Revenue funding applications that might be taken on an annual basis or within a three-year cycle – such as an application for ACE's national portfolio or local authority funding
- Programming decisions (such as material commercial show bookings, distribution decisions such as live-streaming, hosting specific shows or exhibitions)

- Partnerships mentioned included those relating to research, co-production, peer learning, project delivery, sponsorship and advocacy
- Change of significant suppliers
- Innovation projects
- Significant capital works (as opposed to routine maintenance). Examples included expansion, refurbishment, change of use, improvements to environmental sustainability and mission critical (expensive) repairs or renewals (e.g. of a heating system.)

In the examples, a distinction was clear between regular decision making that might be taken on an annual basis or within a three-year cycle and one-off or 'once in a decade' type decisions. The one-off or once-in-a-decade type decision was the more likely to involve the formulation of a full business case.

The emphasis for internal decision-making would appear to be on financial value to the organisation itself, rather than estimation of value for users and non-users. The concerns of the decision-making body tended to include mission delivery and social purpose, levels of risk (not just financial risk) and how the costs will be funded, particularly the scope for attracting funding or other leverage.

Within the interviewee group, there was only one arts organisation who cited working in a collaborative way with other organisations to gather and present data around economic impact - where a specific level of investment was calculated to produce a certain number of jobs and gross domestic product (GDP). The focus in this case had been on collective impact and the information had been used across multiple stakeholder groups although a key target was the local authority.

Forms of value

A consistent pattern across interviews with arts and cultural organisations was the diversity of perspectives from which value was considered in decision-making. Interviewees referred variously and frequently to different types of value, including artistic, social, financial and brand value. The meaning of value was interpreted in a fairly fluid way to include both the regard that something is held to deserve (the importance, worth, or usefulness of something) and monetary worth.

Artistic value: this was primarily of interest to the organisation's own leadership and was considered by the interviewees to be important to Arts Council England. Most of the organisations perceived artistic value as being part of their mission.

Social/public value: this was used in very wide-ranging ways; it described the organisation's reach particularly into communities with low engagement or limited opportunity for arts and cultural experiences, as well as instrumental impacts such as increasing educational attainment, improving health and wellbeing, addressing joblessness and social mobility, and

creating a sense of place and identity. The terms 'public benefit' and 'social value' were used often.

Financial value: Consideration of financial value in decision-making covered a range of things such as the extent to which projects/activities offered value for money, return on investment, profitability, efficiency and the level of cost, financial exposure and the ability to attract or leverage finance.

Brand value: this was raised particularly where organisations were dealing with significant sponsors from the business community.

A number of interviewees had close working relationships with Higher Education institutions. The value of access to arts and cultural experiences in an area was seen to be of increasing importance to universities; it was described as a factor that they were promoting as part of their recruitment of students.

All interviewees talked about a balanced assessment of value across some or all of these areas. Social value was present in all discussions (although different dimensions of this were mentioned depending on the organisation) and this was also widely perceived to be an area of growing interest on the part of stakeholders. It would be difficult to conclude from the interviews that expressing value in economic terms was a priority for internal audiences.

Data for decision-making

There was a spectrum of sophistication in the evidence and discussion of value, this seems to be affected by:

- The experience of the CEO (or equivalent) and their personal interest in value, data and other forms of evidence.
- The scale of the organisation and whether functions are delivered by teams or just one or two individuals. Larger organisations with larger teams seemed to have a more sophisticated response.
- The size of the organisation's trading operation. Large-scale organisations with a considerable commercial operation tended to be clearer about the metrics used in decision-making.
- How multi-faceted the organisation is or needs to be – for example the range of 'out of sector' partnerships they have, such as Universities, NHS Trusts
- Whether the organisation (and CEO) operates alone or within a consortia/partnership.

Overall, the data presented to internal bodies for decision-making does not appear to be hugely sophisticated and remarks made in interviews suggest there is a high reliance on verbal rather than numerical arguments for proceeding with projects. Testimonials and case studies were considered to be key pieces of evidence.

When interviewees discussed the quantitative information that they supplied to their governance bodies, funding bodies or potential partners around value as part of a decision-making process, they most frequently mentioned cost data (i.e. in relation to 'inputs'). Volume data (i.e. in relation to 'outputs') such as audience reach, number of participants, or hours of engagement were also most regularly referred to. Interviewees also said they often provided details of the funding opportunity that the activity or physical space presented (i.e. whether or not it would attract matched or additional funding from other sources).

Evaluation reports were frequently cited as tools for arguing for, or justifying, funding decisions, especially in relation to education and engagement work. However, there was very little information from interviewees about specific impact measures as opposed to outputs.

Decision-making by external stakeholders

Interviewees spoke about the role of value, both in the context of decision-making in their own work and at an aggregate level across the sector. Many recognised the benefit of ACE having data that demonstrates the value of the sector's activities in making arguments to Central Government and other strategic funding partners.

Demonstrating value in economic terms was a factor for the majority of arts and cultural organisations in external decision-making and especially for those in receipt of public funding, usually from local government. It was not, however, the only factor.

Arts and cultural organisations spoke of working with a very wide range of stakeholders; the mix varying across organisations. Decision-making for each type of stakeholder varies in terms of the form of value that is most significant, and the quantitative data sought to inform decision-making.

These stakeholders were from:

Central and local government and ACE

- Local authorities - mainly economic development or regeneration teams; several interviewees commented on funding cuts which had reduced or removed culture teams. The

economic development and regeneration teams' interests were both in terms of economic activity and social value. More is said on this group below.

- Central Government – less common and often in relation to particular funds or initiatives such as the Ministry for Housing, Communities and Local Government's Future High Street Funds. In a cultural context funds are usually channelled through the Department for Digital, Culture, Media and Sport. There was little difference in the nature of the data demands.
- ACE- the Arts Council was understood to consider artistic, social and financial value and these were expected to be in some kind of balance appropriate to the organisation.

Education and health

- Education - mainly schools and universities. Interviewees commented on universities looking to generate value increasingly in relation to student experience outside the classroom (for the purpose of attracting students as fee-paying customers).
- Health - local trusts or specific agencies who require information about clinical outcomes which the stakeholder can then calculate for its own internal audiences in appropriate value terms.

Business and philanthropy

- Local Enterprise Partnerships (LEPs) – of all the stakeholder groups mentioned, this was the most likely to require estimates of economic impact data; for the organisations who mentioned this, the experience was all fairly recent.
- Business sponsors and major donors (high net worth individuals). Four of the organisations represented referred specifically to sponsors. Demonstrating value in terms of economic benefits was of interest in, but social and brand value were also mentioned. Quantitative data supplied was responsive to the sponsor's specific needs and priorities.
- Trusts and Foundations were perceived as more driven by social (and in some cases, artistic) value than by economic benefits. Many of the interviewees said that evidence for this group was often qualitative. Quantitative data if given was often numbers of participants, and output driven, rather than estimates of the economic value of activity.

There was a sense that in recent years this set of stakeholders had been broadening (to encompass a greater number and variety of sectors) and that this was expected to continue. Interviewees invariably implied the need for agility and flexibility in moving between these groups, a need to present value differently and in the terms appropriate for each group, and to acknowledge that each works through different decision-making processes.

Interviewees tended not to group the public with other stakeholders. When discussed, members of the public were more likely to be described as audiences and participants or customers. Non-users were implied in language like 'hard to reach' or 'low engagement' groups, but users/non-users were not terms used by interviewees. Customer satisfaction data was mentioned by a number of interviewees.

Local government

Local government was cited most often as the primary external decision-maker that institutions wanted to influence. Demonstrating economic benefits was a clear factor for this body. One interviewee said, "it is the most likely thing to clinch [a funding decision]". More than half of the arts and cultural organisations said that they were expected to provide evidence around this, most commonly in the form of contribution to the local visitor economy. Gross Value Added (GVA) was the metric most often cited (though not universally). Of those that had to provide the data, there was a mix of those who referred to annually updated returns (prepared by the organisation itself) and others who mentioned more in-depth periodic studies which tended to be commissioned by external suppliers or partners such as Universities. However, interviewees said that in their experience local authorities did not uniformly require economic impact data, or if they did, the requirements varied from one place to another. The background, context and critical issues for each authority dictated the nature of the demands. Examples of quantitative evidence mentioned by interviewees included low project costs, high impact on the visitor footfall or positive impacts on public perception of the town or city.

Six people said they were engaged in making a broader case about economic benefits such as the role culture plays in attracting inward investment from businesses to a town or city. Their belief was that, as a result of having a healthy creative industries sector, more business owners were inclined to locate their activities in a given city, and this led to a general increase in property value over time. When commenting on these, they said that they did not feel there was any widely accepted, credible methodology for generating robust values for this. This indicates a lack of familiarity with research methodologies, such as hedonic regression, that have been used to measure exactly this. Institutions therefore might provide funders with a narrative referencing the positive impact of arts and culture on reputation and profile, while being unable to attach a precise measure of value for it.

All the interviewees described demonstrating value in terms of other public benefits; this was very wide-ranging covering things like social inclusion, social cohesion, mental health, the value of volunteering, literacy and educational outcomes. Evaluation reports, most commonly the domain of

organisations' Learning & Participation teams (or equivalent) were mentioned as a key piece of evidence for local authorities – if not to influence their decision-making itself, then to help construct a narrative around impact.

Several interviewees said that their local authorities made no demands on them to evidence the value they create in economic terms. They attributed this to the fact that the authority was in no position to provide any funding for the institution. One person commented that the austerity of the economic environment also meant that local authority officers did not have the capacity (or interest) in considering new methodologies.

Decision-making for funders

The sector funders interviewed represented a variety of stakeholders, including ACE, local government, a philanthropic foundation and sector support organisations with a variety of experiences, priorities and interests. Observations applicable across the group were:

- The funding environment is extremely competitive for those seeking funding and this is unlikely to change imminently. From the sector funders' point of view, generating economic activity in terms of attracting visitor spend and/or creating jobs was seen more often than not as a decisive factor influencing an investment decision, but not the only one.
- Demonstrating value in economic terms is increasingly seen as important in terms of making the sector-wide case for support, particularly to central government. However, this is additional to, and not instead of, other forms of value.
- Estimating benefits for a *new* proposition (including extensions) was seen as much easier than for an existing, *upgraded or improved offer*.
There is recognition of the usefulness of this kind of data in justifying decisions to the public.
- The sector would need support in improving estimates of the economic benefits for both capital and non-capital expenditure.

Considering all the interview responses, one can discern a difference between Central Government where there is a greater focus on economic measures of value created and local authority practice especially outside London, where this was important, but was considered alongside social value to a growing extent. For Central Government, there is a clear need for economic value to be described and measured, with a focus on productivity; other benefits that flow from this also need to be measurable. There also appears to be interest in innovation in methodologies and exploring what advances in digital technology can offer in terms of improving estimates of value, for example in

using big data. In terms of local government, no clear demand was voiced for other new methodologies to measure economic value such as contingent valuation.

Changes and trends observed by interviewees (both funders and arts and cultural organisations)

In terms of any changes observed with relation to value and quantitative data, the following were remarked on by one or more interviewees:

- The increased competition for resources. This was particularly noted with local authorities. The long-term challenges of increasing costs associated with demographic change such as population growth and an aging population alongside the reducing funding envelope available at local government level was widely recognised.
- Increased opportunities to work across other spheres such as health and higher education (this tended to be about higher rather than primary, secondary or further education).
- Increased usage of data generally – particularly by marketing and sales teams; for some this meant greater sophistication of analysis and increased skill base within an organisation. The availability and volume of digital data was one of the things driving this increased capability. For others, especially smaller organisations, this was not always the case – they would rely on having a member of staff with an interest in data.
- Greater professionalism in standards and services for audiences.
- The changes driven by technology, with particular reference to digital distribution of cultural content and the way this will impact on notions of local versus national or global value. The opportunity to use big data as part of an evidence base was also commented on.
- Growing public scepticism about data or claims of value in general.

3 The role of quantitative data in decision-making

There were different levels of sophistication in relation to gathering and presenting quantitative data among the interview group. The points raised here relate to both arts organisations and funders.

Basic approaches to data

At the most basic level, every interviewee talked confidently about basic output data such as the volumes of visitors and turnover. Costs were routinely mentioned.

Customer data

There were different levels of sophistication in relation to customer survey data among the interview group. Many people referred to customer satisfaction data (e.g. post show/visit), which was used to monitor performance and inform future programming decisions. More than half the arts and cultural organisations mentioned net promoter scores (an index that measures the willingness of customers to recommend a company's products or services to others, used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand). These tended to be the larger organisations with a significant commercial trading operation.

Audience Finder was frequently referred to as the primary tool for customer insight and most examples were about customers' experiences of the programme offer, rather than the organisation in general. A few mentioned public consultation as part of capital planning.

Business cases

There was mixed experience in producing business cases in the interviewee group and differences in the level of detail assumed to be in a business case.

Those who mentioned business cases in any detail or with particular confidence tended to be from (or relating to) larger organisations (in scale and turnover, relative to the sector as a whole) and those with a more significant trading operation. Business cases were more likely to be presented to support capital decisions, very significant 'one-off' revenue decisions and commercial programming decisions.

When asked to describe the kind of things in the business case, people talked about market size, options appraisal, cost benefit analysis and so forth. Interviewees from arts and cultural organisations did not refer to Treasury guidance in terms of content or approach to the business

case. A few people referred to business cases in more general terms, but it became apparent that they essentially meant a narrative set of arguments in support of a certain course of action. One interviewee commented on the distinction between business cases that were genuinely part of the decision-making process and those that were about retrospectively justifying a decision or course of action adopted and this was borne out by some of the comments made by other interviewees.

Ultimately for interviewees their business cases needed to show either the net positive contribution (or cost neutral outturn) of a potential course of action or achieving efficiencies. The latter was mentioned as particularly important to local government. Examples given included the case for new storage facilities, digital distribution plans, and approaches to corporate sponsors.

Interviewees were more likely to comment on the qualitative improvement to people's experience or the potential to give more people access to the arts and cultural opportunity, although this was considered harder to demonstrate with repairs and refurbishments than with new buildings or extensions.

Economic Impact Studies

Economic impact studies were the most frequently mentioned type of data produced for external stakeholders. There were just a few cases where a study had been externally commissioned.

Organisations are using these to justify revenue funding on a more regular basis and in relation to larger, once-in-a-decade type, funding asks.

There was a high level of scepticism on the part of arts and cultural organisations about these studies. All interviewees offered unprompted views about their cynicism regarding the values generated by such studies, but the prevailing attitude was "this is part of playing the game (i.e. to secure funding) and so we just do it." The data within the studies was not considered to be particularly useful (for interviewees). The choice of methodology adopted appears to be less a result of 'faith' in the methodology itself and more from their perceived credibility with local government (or other stakeholders) and the 'large number it produces' as one interviewee put it.

Many interviewees seemed to have processes in place to generate economic impact values themselves; arts and cultural practitioners appear to be using sector specific tools to generate such estimates. The theatre organisations all cited the 2004 report by Dominic Shellard, then of Sheffield University, 'Economic Impact Study of UK Theatre' and said they had used this methodology. Museums sector interviewees referred to the Association of Independent Museums (AIM) toolkit. Interviewees referred to data on direct, indirect and induced spend as well as job creation and volunteer hours. Most people mentioned using evidence such as GVA.

Social Return on Investment Studies

Four interviewees talked of their own or organisational experience of undertaking a Social Return on Investment (SROI) study. These had been specific studies (relatively significant in scale for the organisations in question), with an external audience in mind. In one case it was the corporate partner who commissioned an independent study.

Others did know about the methodology but cited various reasons for not deploying it themselves, including cost and complexity.

Metrics

Few metrics were cited frequently across the whole interview group as standard within their decision-making process. Audience/participant numbers were the most frequently mentioned and Audience Finder was often the tool used to generate the data. Gross Value Added (GVA) also had three mentions.

Other metrics referred to across the interviews (but in most cases only once or twice) included:

- Ticket sales – both volume and yield
- Demographic breakdown of audiences/participants by socio-economic status and ethnicity
- Spend per head
- Income per customer
- Profit margins (in relation to food and beverage offers)
- Employment numbers and volunteer hours
- Number of local suppliers
- Customer satisfaction levels
- Net promoter scores
- Matched funding or investment into the organisation
- Social Return on Investment figure

Producing quantitative data in arts and cultural organisations

The responses overall suggest that there is minimal freedom around the presentation of data, with most people citing existing frameworks within which they need to work as the reason for this. Among those dependent on funding from external bodies few organisations appeared to feel a sense of autonomy in the data that they were required to provide to funders.

Some particularly strong opinions were expressed in the interviews around the requirements for producing data. All interviewees from arts and cultural organisations referred to the significant data demands of their funders. The Arts Council's requirements for data were considered onerous, particularly for smaller organisations. The smaller organisations felt that demands could be better scaled according to organisational size. This was not currently the case and therefore data production was a more significant call on their time for them. They were also less likely to have specific roles or skills for gathering, analysing and deploying data within the organisation.

Those people working for funders or in a sector support capacity said they saw real challenges for the sector in terms of both capability and capacity when it came to producing robust data for decision-making, particularly, but not exclusively, around economic benefits.

Chief Executives or equivalents said they were involved in drawing insight, preparing and presenting the quantitative data, with support on practical data gathering and analysis tending to sit within the domains of marketing, finance or education teams, where the organisation was large enough for these teams to exist. Through their comments, it was clear that Chief Executives were willing to invest time and energy in this activity where they saw the business case to do so, or the risks of failing to do so, as significant.

The largest organisations all referred to digital technologies driving new behaviours and skills needs in data capture, analysis and insight generation.

On the whole, there was a strong level of confidence in the ability of institutions to commission high quality studies from external commercial or academic organisations. When large-scale or more complex studies were required, interviewees said they had commissioned external teams to deliver the work. This tended not to involve planned skills or knowledge transfer, it was simply about producing the values. Interviewees talked about the role of University partners often in these studies, or other commercial suppliers. There was a strong level of confidence about their own ability to commission such studies and the opportunity to learn about methodologies from them, although a few people commented on the 'hit or miss' quality of suppliers. One contributor noted that producing economic impact studies was perceived as something of a 'dark art'.

There was a mixed view of the utility of the reports produced. Some were able to say that the report had generated a positive outcome (for example where the numbers were 'big' and/or where the report had led to a positive funding decision) but others said that they were not sure what value the study itself had produced. The time-limited nature of the findings was also commented on.

4 Awareness of techniques to estimate the value of the benefits arts and cultural sites create

The level of knowledge of techniques to estimate values attached to people's engagement with cultural sites and wider values to non-users was low and direct experience limited, apart from economic impact studies. Almost universally, knowledge and experience of producing data around economic benefits was concentrated at senior management level within the executive team. Among those interviewed the Chief Executives or Chief Operating Officers of the larger organisations were most likely to have knowledge of such studies. Chief Executives all said that they had learnt on the job – one person commented that 'you can find everything on google' including how to guides for producing value estimates. It was typical to hear interviewees saying economics was not their background. No one referred to board support being deliberately sought or this capability being developed among board members.

Almost all the interviewees reported their awareness of the Treasury Green Book, but in most arts and cultural organisations, their familiarity was basic, and it was not a resource they had actually used. Those that did know of it said the language and concepts were highly technical and as such were not easily understandable for sector professionals. Chief Executives said confidently that it was unlikely anyone else in their organisation would have come across. Those more familiar with the Green Book said they had encountered it in connection with a projection of significant scale and usually with Central Government involvement.

Many interviewees said they were aware of SROI techniques, but few had direct experience of these. People most often talked about 'evaluation of social impact'. The precise means of calculating SROI was not well known – it was considered by those that referred to it to be a time-consuming, complex exercise with limited benefits. Daniel Fujiwara's work concerning measures of social wellbeing was the one cited by several interviewees.

Interviewees who said they had any knowledge of contingent valuation or who recognised the term were the exception, although many people expressed an interest in the concept and in finding out more. While they broadly understood the concept of this and the term Willingness to Pay (WTP), it was not something many people had encountered professionally.

One interviewee had attended a briefing on the earlier Museums contingent valuation (CV) study – but was not sure of when they would apply the CV values or if it could be useful to their organisation as the study findings were interpreted as estimating the effects of closure.

It was noteworthy that most of the senior leaders had gained their knowledge and experience ‘on the job’ on an as-and-when basis. There was limited training available and several expressed a view that they did not know the range of techniques available, their relative advantages or disadvantages or examples of good practice.

5 Ways to increase the adoption of valuation techniques

Interviewees were asked what issues might arise where estimates in economic terms of their benefits would be needed.

A spectrum of views on valuation techniques

Many interviewees identified in their initial response that there was a need for a more quantitative approach given the degree of competition for funding. A number of interviewees said they understood the nature of the benefits to the *sector* of estimating the value of the benefits that they create in economic terms , with one interviewee commenting that:

We’re (the sector) not too bad at evidencing social impact, but with economic impact there’s a way to go. But there is real potential. We’re trying to shift perception away from the arts as a ‘nice thing to do’.

At the level of the individual organisation, another interviewee commented on the benefit of having more explicit feedback on value from a user perspective was helpful given local authorities demands for evidencing public demand.

A spectrum of views was represented however across the interview group. For example, whilst one interviewee thought the sector should not engage with measuring value in this way at all. At the other end of the spectrum, another person felt that the sector should engage confidently and proactively and someone suggested that the arts and cultural sector could learn from parks and outdoor spaces who they considered were succeeding in making arguments about their value of their public benefit in economic terms.

The majority of interviewees expressed some level of interest in the techniques and subject matter. (It is worth noting in this context that almost all people approached immediately accepted the request for an interview and indicated high levels of engagement during the interviews). No individual volunteered that they would proactively explore this, but the majority said that they would engage with it, if it were a demand of their primary funder.

Concerns about the method

Professionals operating in the museums and galleries sector raised specific concerns about potential confusion around data about Willingness to Pay and the arguments for or against free admission. They were also nervous that both carrying out the surveys and the resulting estimates could negatively impact on their relationship building with particular audience segments. They talked about commitments to engage with those groups for whom admission charges are a barrier to entry and the concern that estimating a value for visiting would work against their efforts in this area. They were concerned about both public and media responses to any published values for their site.

Lack of funding opportunities was a factor for some. In their own locale, they did not see the local authority having any resources to invest in arts and cultural organisations and therefore it was pointless to invest in presenting a (speculative) case for investment. It was not that they had no ambition or need, but that their stakeholder simply was not in a position to entertain a case that warranted this amount of effort and cost.

Concerns were raised directly or indirectly concerning the need for a holistic appreciation of value including artistic, economic and social and a concern should economic measures replace other forms of value. One interviewee also commented on the 'emotional impact' key cultural assets had and the difficulty of ascribing any value to this. Others referred to value in terms of creating a 'sense of place' (which they considered could not be quantified). There were also concerns about the comparisons with other sectors (e.g. Science) that would ensue, based on certain economic value measures.

Practical challenges to its adoption

Across the interviews, other practical issues were raised. This included time (to learn, to deliver), cost (of staff time or external suppliers), and skills (of internal staff). Interviewees weighed this against the potential likely benefits, specifically whether it would unlock actual funding.

Lack of time was the issue most frequently and immediately brought up. Many said capacity was already stretched so finding additional time to produce (or commission) this kind of study on top of everything else would be very challenging. It would mean de-prioritising or not doing something else.

Interviewees said they would be more likely to adopt valuation techniques to estimate the values that sites create beyond economic impact if there were external funding for doing so and additional support on offer. It would also make a difference if the techniques relied on existing data sets, rather than having to gather additional data.

For smaller organisations, capability and capability were more likely to be an issue. Interviewees described staff teams where members tend to have to work across a number of functional areas rather than in specialisms and that there was limited likelihood of data/economics being part of their skill set or experience. One smaller organisation however commented that the need for such studies was more acute for their scale of organisation because they were more vulnerable (to funding cuts).

Some said that they had no desire to add to existing data-gathering, especially if such studies were only of interest to one particular stakeholder among many. Some interviewees said it would also make a difference if the techniques relied on existing data sets, rather than having to gather additional data. The issue of potential survey fatigue on the part of the public also came up in two interviews (that is on the part of users who were already asked about their recent experience as customers.)

It was also possible to detect concern about the credibility of methodologies in some interviews. Several times people expressed a desire to see agreed, authoritative guidance which was adopted by a group of funders. They were concerned about the risk that the study findings could be easy to unpick, criticise or ignore on the basis of the methodology, rendering the overall study ineffective in its goal of unlocking funding.

Some said their willingness to engage more with contingent valuation methodologies would depend on their ability to add nuance or interpretation to the results. This was particularly important where one organisation might be compared with another – one person explained that they would be anxious about being benchmarked against another institution with a radically different audience demographic with different capacity to pay (e.g. by age, life stage).

Practical support to encourage use of contingent valuation estimates

All interviewees agreed that face to face training and learning resources (documents or online) would be both welcome and necessary to encourage the use of valuation methods in the sector.

Other suggestions to encourage the use of valuation methods included:

- Coaching (i.e. ongoing person to person training delivered as the organisation was applying the methodology). This could be offered on a cohort basis.

- Using pre-existing fora or networks that were sector specific as a means of offering support. This was because the opportunity to connect and discuss techniques with peers was considered valuable, efficient in time and money and would allow for robust testing.
- Sharing examples of what works and what doesn't work and wider practice.

From comments across the interviews, it is also clear that training needs to recognise that users are unlikely to have studied economics and have had limited exposure to the technical terms and concepts. The language and structuring of the guidance would need to take account of this. The question of when to supply the support was also raised. People referred to past training opportunities that had not been productive because they were not delivered at the point of need (either too early or too late).

6 Conclusions

Based on these interviews, there is evidence that:

Forms of value

- The arts and cultural sector are thinking about many forms of value and describing these to many different stakeholders. Interviewees are interested in value created for individuals, communities and for towns/cities through their creative activities. Engagement with the topic in the interviews was high and many commented that the interview had prompted some new thinking in this area.
- Some forms of value are quantified more frequently and robustly than others, but this varies from organisation to organisation.
- Expressing value in economic terms was clearly important, but it was not always the most important to each interviewee nor the most urgent. The importance attached to social value appears to be growing.

Producing quantitative data

- Arts and cultural organisations feel considerably more confident in constructing verbal and visual narratives as part of their case for investment and less adept at quantitative data gathering and analysis.
- Background skills and knowledge around economics is limited in the sector and many find the technical language difficult to follow. Confidence and experience are largely concentrated in the senior leadership level (non-executive staff) in arts and cultural organisations. It will be critical to engage this group.

- There appears to be a difference in experience and expectations between organisations funded by central government and those whose funding comes from elsewhere, particularly local government. For central government-funded organisations producing estimates of value in economic terms seems to be more routine. Elsewhere, economic impact studies are used but not everywhere and there was no sense of urgency in identifying and applying new valuation techniques. For a new method to gain traction, it needs to be authoritative and used consistently.

Knowledge of terms and techniques

- Existing studies on economic impact aside, familiarity with existing government guidance and economic valuation techniques is low.
- Briefing the sector on CV and other valuation techniques needs to be very clear about how to apply the estimates and how they might be used within wider arguments.
- Understanding of non-use value may be limited – the emphasis in these interviews was clearly on use-value.

Issues for the future

- Interviewees raised some potentially material factors for the future considerations of value. These include a) the impact of digital technology and where benefits accrue (i.e. the shift from local to global) b) the increasing focus on place-making and the scope for more collaboration in place to estimate combined value (of the local cultural ecosystem for example) and c) cultural democracy, public cynicism with regards to statistics and a greater push to ensure arts and cultural opportunities for all parts of society

Support needs

If arts organisations are to be asked to undertake more quantitative work on valuation, they would ideally like financial support to cover the cost of doing so – or greater confidence that it will achieve the intended benefits. The use of such methods would also be facilitated by access to training or coaching and written materials at the point at which it is most useful to them.

Suggestions in relation to the research programme

If there is a desire to increase use of quantitative valuation techniques in the arts and cultural sector, beyond economic impact studies, the case for this needs to be made more explicitly to arts and cultural organisations for doing so. The evidence from these interviews suggests that senior leaders

need to be persuaded that there is a business case for committing resources to the learning and application of new techniques. They need to better understand when they can be deployed for most benefit, how they relate to measuring other forms of value and any utility they may have as a management tool.

If policy development only focusses on the supply side – i.e. the capability within arts organisations to produce better estimates of the value they create in economic terms, adoption is likely to be slower. Adoption might accelerate if some consideration is given to the demand side - i.e. encouraging adoption of the methods on the part of funders especially ACE officers and local authority officers.

The sector is looking for consensus amongst funders on their preferred methodology. In the view of arts organisations at present, different funders require or accept different methodologies as suitably robust and this means they have to generate different data for different audiences. This is not seen as helpful or efficient. This expectation may need to be tempered.

It may be worth investing in building an ambassador group who can mentor and advice the wider sector as adoption grows. Participation could be incentivised with some financial and/or other support (time, access to expertise) to either commission or generate the data in-house and to facilitate its use and interpretation with the organisation's stakeholders.

It may be useful to separate general awareness-raising briefings from efforts to induct professionals into the methodology. The characteristics of the target organisations for 'induction' would be where:

- The Chief Executive (or senior staff) has some experience of robust value measurement to date whether social or economic
- There is a specific forthcoming opportunity or need to generate data to influence a material decision-making process, such as a capital project in the early stages of development
- There is an organisational intention to build internal data capabilities
- The intended recipient of the data has shown themselves to be engaged and interested in the data and methodology.

Appendix 1

List of interviewees

Syima Aslam	Director, Bradford Literature Festival
Sian Bird	Strategic Partnerships Manager, Culture Mile
Lisa Burger	Executive Director, National Theatre
Tony Butler	Executive Director, Derby Museums Trust
Rob Colley	Consultant, Colley Associates Ltd
Christine Cort	Managing Director, Manchester International Festival
Beverley Dawson	Director, Capital, Arts Council England
Mario Deconti	Senior Economist, MHCLG
Steve Eames	Chief Operating Officer, Royal Shakespeare Company
Symon Easton	Head of Cultural Development, Birmingham City Council
Jamie Everitt	Regional Museums Development Manager, SHARE Museums East
Sarah Fisher	Executive Director, Open Eye Gallery
Jon Morgan	Director, Theatres Trust
Victoria Pomery	Director, Turner Contemporary
Laura Sillars	Director, Middlesbrough Institute of Modern Art (MIMA)
Adrian Vinken	Chief Executive, Theatre Royal Plymouth
Iain Watson	Director, Tyne and Wear Archives and Museums