



INTRODUCTION

My father wanted me to be a dentist because he said I would always be in demand. I have a different suggestion for those seeking a secure profession: make a career of turning around troubled performing arts organizations. In my twenty-plus-year career, I have found no shortage of job opportunities.

So many arts organizations find themselves in difficulty because the “industry” has built-in economic problems.

The primary and underlying problem of the performing arts is that it is very difficult to improve productivity. While other industries cover the cost of inflation by increasing worker productivity through the use of computers, new technologies, and better systems, these approaches are not available in the arts. There are the same number of performers in *Hamlet* as when Shakespeare wrote it centuries ago and the same number of musicians in the New York Philharmonic as when Tchaikovsky conducted it more than one hundred years ago. Costs go up, but we cannot reduce the labor content.

This challenge is compounded by a limitation on ticket sales. Once we select a theater, our real income is bounded. We only have so many seats to sell for a given performance. Once we sell out our theater, we have no ability to increase earned revenue. Where other industries can expand markets, in our peculiar industry we cannot.

I remember taking the Alvin Ailey American Dance Theater to perform at the Herod Atticus, a beautiful Roman amphitheater built into the base of the Acropolis in Athens, Greece. The audience sat on stone bleachers with the Acropolis lit up by moonlight just behind. It was a magical site and my dancers were thrilled to be there. I simply stood on stage and remarked that the number of seats had not increased in two thousand years!

With limited productivity improvement and no ability to expand ticket sales the performing arts industry faces a severe gap between earnings and expenses. And this gap continues to widen as expenses rise and revenue is bounded. The four major approaches to filling this gap are all fraught with difficulty.

Most organizations have tried to fill the “income gap” by raising ticket prices. This has resulted in substantial loss of audience for many arts organizations. Much of our audience is very price sensitive, and there are so many substitute forms of entertainment, especially with the advent of Internet technology that puts entertainment in the home at almost no cost. The price of opera tickets has risen so fast that one can now buy an entire computer for the cost of two tickets to major opera houses around the world.

As we lose our audiences, there are many cries that the arts have become irrelevant. I do not believe that is the case. Simply look at the Fall for Dance series at City Center in New York, the new pricing structure for the Pittsburgh Symphony, or programs for new audiences at the Royal Opera House, and you will see huge interest in serious performing arts at reasonable prices.

Pricing in a reasonable manner typically demands the second gap-filling technique: raising contribution levels from private or public sources. But the competition for these funds has grown increasingly intense. While one or a few people traditionally served as angels for a given organization it now takes hundreds and thousands of donors. (The Kennedy Center now has thirty thousand contributors on an annual basis, a requirement to balance our books.) This search for new donors places arts organizations in direct competition with each other; it favors the stronger, more accessible organizations particularly in those countries without well-developed cultures of philanthropy.

As a result of the difficulty wooing new donors, many arts organizations are hoping to fill the income gap with new sources of earned revenue—food service, parking fees, electronic distribution, and merchandise. In my observation very few arts organizations have enough demand for their products and services to create truly profitable businesses. Frequently these ventures serve the public and the organization’s mission, but rarely do they provide much extra revenue for their coffers.

In the face of increasing costs, bounded revenues, and stagnating fund-raising most arts organizations turn eventually to cutting expenses. This makes sense. But the choice of where to cut has huge implications for the organization. It appears easiest to cut those areas that do not require massive reorganization or staff cuts: artistic initiative and marketing. One can mount one less production, mount smaller productions, cut a bit on advertising or public relations expenses, and no one will be the wiser. Wrong.

When one cuts artistic initiative and marketing, one cuts the very reason people supply revenue to the arts organization. Audience members and donors are attracted to exciting, important work; their interest is confirmed by attention generated by marketing efforts. When art and marketing are sacrificed to balance budgets, the organization virtually always suffers a loss in revenue. This results in more cutting, more “saving,” more losses, and a vicious spiral is created that has damaged more arts organizations than one can count.

I have spent my career addressing these situations. I have been invited to help numerous organizations that had fallen into the trap of cutting artistic and marketing spending and suffering the consequences. As both chief executive and a consultant I have worked to overcome the challenges imposed by poor spending decisions. I have been associated with so many turnarounds that the press, beginning with Sid Smith in the *Chicago Tribune*, have dubbed me “the Turnaround King.”

This book addresses both the theory and the practice of creating a turnaround in the performing arts. The first chapter reviews the major theoretical approaches to changing the fortunes of a performing arts organization. The following chapters present case studies of four of the organizations I have helped to fix: Kansas City Ballet, Alvin Ailey Dance Theater Foundation, American Ballet Theatre, and the Royal Opera House.

The approaches I have developed over the past twenty years are also applicable to “healthy” arts organizations. The sad fact of life is that there is a very slim line between sickness and health in the arts. Organizations that appear robust can suffer dramatic losses quickly and can be thrust into the turnaround position quickly.

So it is imperative that even organizations not facing critical issues behave in ways that prevent future artistic and financial difficulties. For

this reason I have included a fifth case study, of the John F. Kennedy Center for the Performing Arts. The management techniques and strategies I have employed in my most recent position are the same ones I have used in more critical situations. And the impact has been as dramatic.

Ultimately, it is not the financial health of an arts organization that is of prime concern. It is the ability of the organization to address its mission. But I have yet to see a performing arts organization that can consistently and vigorously pursue its mission if it is in immediate danger of closing its doors.

While there may never be a shortage of employment for those who fix troubled arts organizations, this is not always happy work. The pain of the troubled arts organization can be intense; angry creditors, disappointed audience members, and disaffected donors create an environment for those within the organization that is compounded by fears of not being paid and the frustration of not pursuing the mission with vigor.

In fact, the reason most arts professionals forgo the higher wages at for-profit ventures is to have some control over the mission of their organizations. When this ability is diminished, job satisfaction plummets.

Therefore, troubled arts organizations are angry, sad, and defeated. It is extremely painful to become involved with them. The entire organization focuses on the size of the problem, the cause of the problem, and whom to blame. Since the manifestation of the problem is frequently centered on how to pay past-due bills, a great deal of effort is spent looking backward. The conversation inside the organization, and too frequently outside as well, is about the problems faced by the company. This very often spills over into the press. Questions about blame, debt, and despair fill the newspapers, doing nothing to encourage anyone to come to the rescue. Well-meaning board members try to take over to solve the problems they believe are caused by an incompetent staff. Staff members complain that if the board gave or raised more money the problems would not exist. The staff is concerned that they will not be paid on time and the board believes that given the crisis the staff should not expect to receive full payment. The staff can't believe that the wealthy board members are so cavalier about their livelihoods. The artistic staff is fighting with the administrators, who are frightened to spend anything and try to dampen the dreams of the artists. The artists are convinced that if only the administrators did a better job of fund-raising

and marketing, all would be well. Each department begins to hoard its own supplies and fights for its own small piece of available resources so coordination between departments is virtually impossible. Donors start to pull away, as do board members who become embarrassed about the public problems of the organization. Fixing these organizations is not for the faint of heart.

But in the end, it is all worth it, of course. The power and energy and excitement when a troubled arts organization truly turns the corner and can look to the future rather than dwell on the past create as intensely satisfying a moment as I have experienced. The Alvin Ailey organization recently opened a new facility, a world-class dance building in Midtown Manhattan. Who could have imagined that just fifteen years ago? Even more surprising, just ten years after it almost closed, the Royal Opera House is considered the model of performing arts management in England.

When I began my career, I found turning around arts organizations challenging, rewarding, and something of an ego boost. Today the feelings are far less personal. In 1994 I was fortunate to meet and be a consultant for a remarkable man, Barney Simon, who created the most important theater in South Africa, the Market Theatre. Barney used theater to teach the world about the horrors of apartheid. Barney taught me the difference between producing art and producing change. He believed fervently that those of us who are fortunate enough to be a part of the arts world have an obligation to see past our own successes and to look to the needs of society. He made me understand that turning around arts organizations had less to do with putting another feather in my own cap than with making sure the world was a better place.

It is to Barney's memory I dedicate this book.