“Future of Orchestral Music” Steering Committee

Report and Recommendations

---FINAL---

January 31, 2011
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Executive Summary

Background
In March of 2010, the Charleston Symphony Orchestra closed its doors early for the first time in its 74-year history after hitting severe cash flow issues. No solution for the orchestra seemed imminent. College of Charleston President George Benson and Blackbaud’s CEO Marc Chardon formed a steering committee to engage the community and to make recommendations for the future of orchestral music in Charleston. The committee was convened in June, 2010 and continued to meet until November, 2010, when it released its draft recommendations for public comment.

The Steering Committee Charter
“This committee shall develop pragmatic, implementable, written recommendations to the community for a model for professional orchestral performance in Greater Charleston that is responsive, sustainable, and future-focused.”

Our Vision for 2015
- Orchestral music will be relevant, dynamic, and whet our collective appetite for the art form. It will be an intrinsic part of the warp and woof of the “Charleston Art Scene.”
- We will have a growing audience for orchestral music. It will be multi-cultural, cross-generational and reflect the shifting demographics of our community.
- Professional musicians will be valued and respected. They will have opportunities for professional development, and the desire and ability to make Charleston “home.”
- There will be a sufficiently large community of professional musicians to ensure deep participation and presence in the fabric of our community and our schools.
- We will have a trusted and sustainable mechanism for delivering orchestral music. It will be responsive, innovative, and collaborative.

Summary of Proposed Recommendations

1. **Support the current efforts to restart the CSO through June, 2011.**
   See full report for a list of detailed recommendations directed to the existing governing Board of the CSO.

2. **If efforts are unsuccessful, form a new organization.**
   Specifically, if the CSO fails to complete the necessary actions to support Recommendation 1 by June 2011, then terminate the existing 501(c)3 organization, and disband the Board of the CSO. See full report for a list of detailed recommendations for the formation of a new organization.

3. **Explore collaborative opportunities within the community.**
   Regardless of whether the CSO continues to exist or whether a new organization is formed, explore several collaborative opportunities, including the formation of a regional orchestra; the creation of a Conservatory of Music; the formation of an “Orchestral Music Consortium”; shared marketing, ticket sales, venue management, and more. See full report for detailed recommendations.
Detailed Report

Background & Process
In March of 2010, the Charleston Symphony Orchestra closed its doors early for the first time in its 74-year history after hitting severe cash flow issues. As with most full-time symphony orchestras, the CSO had been struggling for the past decade or so, even as it continued to build its core number of musicians to 46. After two side letters to a five-year agreement signed with the unionized musicians in 2007, the musicians and the Board reached an impasse. No solution for the orchestra seemed imminent. In May of 2010, College of Charleston President George Benson and Blackbaud’s CEO Marc Chardon agreed to co-Chair the Steering Committee to engage the community and to make recommendations for the future of orchestral music in Charleston. Coastal Community Foundation CEO George Stevens agreed to serve as the Committee’s media contact. Laura Deaton from Full Glass Consulting was hired to staff the committee and provide support for its activities.

Steering Committee Membership

The full Steering Committee roster included:

George Benson  
Steering Committee Co-Chair and President, College of Charleston

Marc Chardon  
Steering Committee Co-Chair and President and CEO, Blackbaud, Inc.

Nella G. Barkley  
Board Chair, Charleston Regional Alliance for the Arts

George Stevens  
President, Coastal Community Foundation

Tony Bland  
Director, Merrill Lynch

Leah D. Greenberg  
Civic Leader

Martha Rivers Ingram  
Chairperson, Spoleto Festival USA

Burton Schools  
Former Board President, Charleston Symphony Orchestra

Public Forums and Survey

The Steering Committee’s first step was to design a series of public forums focused on the future of orchestral performance in Charleston. These forums were held over a two-week period in June, 2010 at the following locations and times:
The meetings were facilitated by Dianne Culhane, a Distinguished Executive-in-Residence at the College of Charleston. Nearly 400 people participated in the meetings. The questions and discussion focused on (1) The “value add” of having symphonic music in Charleston, (2) The ideal vision of symphonic music in Charleston, and (3) What it would take to sustain that vision. The data from the forums was indexed for key words and summarized. A summary of that data can be found in Appendix 1.

A follow-up web-based survey was created that asked the same questions, with another 350+ responses. Detailed feedback from this survey as well as from several patrons and community members were also reviewed by the Steering Committee.

Related Background, Research, and Related Studies

While the forum results were being tabulated, the Committee reviewed background information about the CSO’s finances and programs over the last decade, recommendations made to the orchestra by several paid consultants over the past few years, and summaries of several studies that reflect trends affecting the orchestra world in general. The information that was reviewed included:

- Background and history of the CSO (excerpted from public documents, website and CSO Board materials) (See Appendix 2)
- Review of last decade of audited CSO Financials (See Appendix 3)
- CSO Ticket Sales Trends (See Appendix 4)
- CSO consultant studies, including AMS strategic plan\(^1\), In Harmony\(^2\), and Kurt Long\(^3\) Reports
- Fearless Journeys Case Studies from League of American Orchestras\(^4\)
- Multiple Knight Foundation Research Publications\(^5\)

\(^1\) This confidential document was provided to the Committee by the CSO Board of Directors. It is not available for public release.
\(^2\) [http://www.pacso.org/In%20Harmony.pdf](http://www.pacso.org/In%20Harmony.pdf) (Confidential Report for the CSO available at the PACSO.org website. Last accessed on 11/20/2010.)
\(^4\) [http://www.americanorchestras.org/knowledge_research_and_innovation/fearless_journeys.html](http://www.americanorchestras.org/knowledge_research_and_innovation/fearless_journeys.html)
Final Steering Committee Report and Recommendations

Page 6

- The Flanagan Report
- The Elephant Task Force Report and related critiques
- NEA Survey of Public Participation in the Arts
- League of American Orchestras: Audience Demographic Research Review
- 2002 Study of Arts and Economic Impact in South Carolina and 2007 update
- 2007 Arts and Economic Prosperity Study

(See Appendix 5 for a summary of several of the lengthier reports and studies)

Steering Committee Meetings

The committee then held four meetings designed to accomplish the following results:

1. Clearly define the charter and review the data from the public forums
2. Detailed review of ancillary background data/studies (see list above)
3. Analysis of the local and regional orchestral community’s strengths, weaknesses, opportunities, and threats
4. Creation of a 2015 vision for orchestral music in Charleston
5. Consideration of a variety of models to achieve that vision and crafting of preliminary recommendations

At the Steering Committee’s first meeting held on August 9th, 2010, the Committee developed and approved the following charter:

Steering Committee Charter

“This committee shall develop pragmatic, implementable, written recommendations to the community for a model for professional orchestral performance in Greater Charleston that is responsive, sustainable, and future-focused.”

The Committee also reviewed and discussed the above materials, which had been provided and summarized in advance (see appendices and references).

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5 http://www.knightfoundation.org/research_publications/index.dot#art
8 http://www.icsom.org/flanagan.html
9 http://www.polyphonic.org/backstage/showpost.php?s=8192bbdfcba03fb2811d8d95c663b3ee&p=156&postcount=2
12 http://www.southcarolinaarts.com/economic/study.shtml
13 http://www.artsusa.org/information_services/research/services/economic_impact/default.asp
At the Steering Committee’s second meeting, held on August 16, 2010 the Steering Committee analyzed the local and regional orchestral community’s strengths, weaknesses, opportunities, and threats (SWOT), and then created a 2015 vision for orchestral music in Charleston:

**The Steering Committee’s Vision for 2015**

- Orchestral music will be relevant, dynamic, and whet our collective appetite for the art form. It will be an intrinsic part of the warp and woof of the “Charleston Art Scene.”
- We will have a growing audience for orchestral music. It will be multi-cultural, cross-generational and reflect the shifting demographics of our community.
- Professional musicians will be valued and respected. They will have opportunities for professional development, and the desire and ability to make Charleston “home.”
- There will be a sufficiently large community of professional musicians to ensure deep participation and presence in the fabric of our community and our schools.
- We will have a trusted and sustainable mechanism for delivering orchestral music. It will be responsive, innovative, and collaborative.

The details of the SWOT Analysis can be found in Appendix 6.

At the Steering Committee’s third meeting, held on August 31st, 2010, the Committee began to develop a menu of potential models for further exploration by the Committee. The models that were explored in detail prior to the Committee’s final meeting on November 18th, 2010 are included in Appendix 7. Over the next two months, smaller sub-group meetings were held to further refine recommendations and preliminary models for consideration. Other activities during this time period included:

- Attendance at the September 27th, 2010 Charleston Symphony Orchestra Board Meeting and a presentation of preliminary results from the forums.
- Attendance at the October 6th, 2010 Charleston Symphony Orchestra League Board Meeting to summarize the results from the forums.
- A meeting with City of Charleston Mayor Joe Riley on October 9th to discuss preliminary findings and potential models under consideration.

The fourth Steering Committee meeting was held on November 18th, 2010. The Committee reviewed the draft of this report, agreed upon its recommendations, and discussed the community review process. The proposed recommendations follow.
PROPOSED RECOMMENDATIONS

1. Support the Current Efforts to Restart the CSO through June, 2011. [The detailed recommendations below are intended as direct guidance to the existing governing Board of the CSO.]

A. Community Forums Feedback
   - Use the detailed feedback provided at the community forums to re-structure the season to match community desires.
     - Create a limited menu of public performances that are relevant, engaging, diverse, collaborative, and multi-media.
     - Include performances ranging from small ensemble work to large symphonic works.
     - Collaborate with choral, dance and visual arts organizations, as well as local educational institutions.
     - Include community-based and outdoor events in the performance schedule.
     - Perform in a variety of venues, including smaller, more intimate venues that allow for and enhance audience interaction with the musicians.

B. Business Planning & Governance
   - Ensure that the artistic plan of the CSO is supported by a sustainable business model.
   - Restructure the Board so that every Board member has a minimum contribution requirement of at least $5,000 annually, either through a personal gift or by raising those dollars within the community. If necessary, reduce the size of the Board to do so.
   - Restore trust, both within the organization, and within the community, by recruiting a new Board Leadership team.
   - Secure one year of unearned income (meaning break-even revenue minus projected ticket sales) before restarting public performances.

C. Orchestra & Musicians
   - Resize the orchestra and instrumentation as needed to match the artistic and business plan.
   - Renegotiate the current contract with musicians to allow no fewer than 18 core musicians, supplemented when necessary with per-service players.
• Provide health insurance and other standard benefits to contracted musicians. If necessary, collaborate with other organizations/entities to do so.

**D. Administrative Team**

• Ensure accountability by modifying the staffing structure of the organization so that the CEO is the only staff person who reports directly to the Board of Directors.
• Recruit a CEO with a demonstrated ability to work with musicians and orchestras and a clear ability to manage to a business plan.
• Charge the CEO with implementing a sustainable business plan, and measure the CEO’s performance based on meeting key milestones in the plan.
• Have all staff, including artistic staff, report solely to the CEO.
• Hire full administrative staff with a significant focus on Marketing, Development, Ticket Sales, and Executive functions. Measure staff performance based on clearly defined written goals and objectives that directly relate to the business plan.

**2. If Efforts are Unsuccessful, Form a New Organization.** If the CSO fails to complete the necessary actions to support the recommendations above by June 2011, then terminate the existing 501(c)3 organization, and disband the Board of the CSO. Use endowment earnings, but not the endowment principal, to create a new organization and recruit a new governing body according to the following recommendations:

**A. Community Forums Feedback**

• Use the detailed feedback provided at the community forums to structure a year-round performance calendar to match community desires.
  • Create a limited menu of public performances that are relevant, engaging, diverse, collaborative, and multi-media.
  • Include performances ranging from small ensemble work to large symphonic works.
  • Collaborate with choral, dance and visual arts organizations, as well as local educational institutions.
  • Include community-based and outdoor events in the performance schedule.
  • Perform in a variety of venues, including smaller, more intimate venues that allow for and enhance audience interaction with the musicians.

**B. Business Planning & Governance**

• Ensure that the artistic plan of the CSO is supported by a sustainable business model.
• Build a sustainable written business plan, including a detailed description of the season and performances, organizational structure, and a minimum of 3 years of projected financials.
• Structure the Board so that every Board member has a minimum contribution requirement of at least $10,000 annually, either through a personal gift or by raising those dollars within the community. Limit the Board size to 20 members or fewer.
• Leverage the opportunity to start fresh and recruit a Board Leadership team that has no crossover with the prior Board of Directors from the CSO.
• Obtain three years’ worth of unearned income for new organization before launching any performance schedule.
• Require that all non-ticket-based funding for each season must be raised before the season begins (including reserve funds to buffer against downturns in ticket sales).

C. Orchestra & Musicians
• Leverage the opportunity to start fresh and recruit musicians with a dual and equal emphasis on quality of musicianship and a desire to be a committed, flexible and collaborative team member of a start-up community-based performing arts organization.
• Foster an innovative, open artistic decision-making model such as those demonstrated by the St. Paul Chamber Orchestra or the Memphis Symphony Orchestra.
• Provide health insurance and other standard benefits to musicians or partner with an existing organization to do so.
• Put in place a non-tenure-based performance management and reward system that includes assessing and measuring musician involvement in public performances, education programs, community events, and joint Board/Staff/Musician activities.

D. Administrative Team
• Ensure accountability by structuring the organization so that the CEO is the only staff person who reports directly to the Board of Directors.
• Leverage the opportunity to start fresh and recruit a CEO with a demonstrated ability to work with musicians and orchestras and a clear ability to manage to a business plan.
• Charge the CEO with implementing a sustainable business plan, and measure the CEO’s performance based on meeting key milestones in the plan.
• Have all staff, including artistic staff, report solely to the CEO.
• Hire full administrative staff with a significant focus on Marketing, Development, Ticket Sales, and Executive functions. Put in place a performance measurement and reward system that includes assessing and measuring progress toward designated business plan objectives, contributions to team-based goals, and support for and participation in joint Board/Staff/Musician activities.

3. Explore Collaborative Opportunities within the Community.

Regardless of whether the CSO continues to exist or whether a new organization is formed, explore the following opportunities:

• Form an umbrella organization or creatively leverage existing organizations to provide health insurance and other standard benefits to musicians performing orchestral work, and develop a model that could be expanded to serve other professional musicians and artists in the community.

• Explore the feasibility of a regional or statewide orchestra that would be headquartered in Charleston or maintain a significant professional presence locally.

• Create a Conservatory of Music at the College of Charleston to draw early-career professional musicians to study while providing stable employment, with concomitant benefits, for local professional musicians as Conservatory faculty. The Conservatory would also play a key role in arts education initiatives within the schools.

• Form an “Orchestral Music Consortium,” led by key community leaders, to create an ongoing collaborative community partnership that is focused on developing and performing innovative, engaging, and relevant orchestral music in Charleston.

• Either through the Orchestral Music Consortium, or via another vehicle, create a platform for cross-marketing of all orchestral music and groups in Charleston. Building toward the re-opening of the Gaillard in 2015, develop stronger linkages and synergy between performing arts groups and venue owner-operators to support audience development and awareness, as well as facilitate venue reservations and changes when needed.

• Foster and cultivate existing local smaller groups capable of performing professional orchestral music so that if the CSO does not continue to exist in its current form and there is no newly formed organization, the community still has access to professional-quality orchestral music by local professional musicians.
Community Review of Draft Report and Recommendations

The Steering Committee agreed to share the full draft of this preliminary report with the public and create an online survey to allow for public comment. The attendees who volunteered to provide subsequent input during the community forums were contacted directly via email and invited to participate. Local media outlets were also contacted and asked to publicly invite the community as a whole to provide feedback. The feedback period was set for December 2nd through December 15th, 2010.

Feedback was received via an online survey from 44 respondents. 79.1% of respondents indicated that they somewhat agreed or strongly agreed that the recommendations would help make orchestral music more relevant to the community. 83.7% of participants indicated that they somewhat agreed or strongly agreed that the recommendations would help build a growing audience for orchestral music over time. 67.5% of respondents indicated that they somewhat agreed or strongly agreed that the recommendations would help ensure that there will be a sufficiently large number of valued, respected professional musicians with deep participation in the fabric of our community and our schools. 74.4% of respondents indicated that they somewhat agreed or strongly agreed that the recommendations would help ensure that we will have a trusted and sustainable mechanism for delivering orchestral music that is responsive, innovative, and collaborative. For each question asked, the highest number of responses was in the “Strongly Agree” category. The detailed breakout of responses is provided in the table below.

<table>
<thead>
<tr>
<th>Steering Committee Recommendations – Feedback Survey</th>
<th>Strongly Disagree</th>
<th>Somewhat Disagree</th>
<th>Neither Agree Nor Disagree</th>
<th>Somewhat Agree</th>
<th>Strongly Agree</th>
<th>N=</th>
</tr>
</thead>
<tbody>
<tr>
<td>Help make orchestral music more relevant to the community.</td>
<td>7.0% (3)</td>
<td>4.7% (2)</td>
<td>9.3% (4)</td>
<td>37.2% (16)</td>
<td>41.9% (18)</td>
<td>43</td>
</tr>
<tr>
<td>Help build a growing audience for orchestral music over time.</td>
<td>2.3% (1)</td>
<td>4.7% (2)</td>
<td>9.3% (4)</td>
<td>30.2% (13)</td>
<td>53.5% (23)</td>
<td>43</td>
</tr>
</tbody>
</table>
Help ensure that there will be a sufficiently large number of valued, respected professional musicians with deep participation in the fabric of our community and our schools.

|       | 14.0% (6) | 9.3% (4) | 9.3% (4) | 16.3% (7) | 51.2% (22) | 43 |

Help ensure that we will have a trusted and sustainable mechanism for delivering orchestral music that is responsive, innovative, and collaborative.

|       | 9.3% (4) | 7.0% (3) | 9.3% (4) | 30.2% (13) | 44.2% (19) | 43 |

Upon review of the feedback received from the community indicating strong support, the Steering Committee decided to finalize its recommendations. Minor edits were made to the document to finalize it, including the removal of the “draft” language, but no substantive changes were made. This document now represents the final report.

**Appendices**

The appendices referenced in the document are included on the following pages.

- Appendix 1 – Public Forums Summary Index of Keywords/Themes Pages 1 – 14
- Appendix 2 – CSO Backgrounder (History, Vision, Mission, Goals) Pages 15 – 33
- Appendix 4 – CSO Sales/Attendance Trends for Masterworks and Pops Pages 40 – 47
- Appendix 5 – Summary of Related Research and Studies Pages 48 – 140
- Appendix 6 – Orchestral Eco-system “SWOT” Analysis Pages 141 – 148
- Appendix 7 – Summary of Potential Models Pages 149 – 157
Appendix 1
Steering Committee
Public Forums Summary
Index of Keywords/Themes

July, 2010
By Laura Deaton, Staff Support for the Committee
Forums Summary

- 4 forums were held throughout Greater Charleston in June, 2010, and an online public survey followed in July, 2010.
- Almost 400 participants attended the forums, where they were asked to spend time considering three main questions. Each table of 4 people had a scribe and other participants rotated between tables.
- The notes were collected and more than 2,200 comments were analyzed for trends and keyword density. The content that follows provides a high-level look at the data from the forums.
Question 1

Charleston has a diverse arts community embracing many different forms, styles and cultures. What added value does symphonic music bring to the city, to the region, to the state?
Added Value - Summary

- Musicians contribute to tax base: 2.61%
- Honors tradition and history: 8.48%
- Value of live music and exposure to the art form: 15.17%
- Outreach to schools reaches children who would not otherwise be exposed: 16.48%
- Fosters and feeds other organizations: 20.72%
- Attracts businesses, retirees and tourists: 20.72%
- Professional musicians teach, provide lessons, and serve as role models: 22.19%
- General community value and diversity of offerings: 26.92%
Question 2

What is the ideal composition and content for symphonic music in Charleston? Describe the individual performances.

- What kind of music do you hear?
- What does it sound like?
- What do you see?
- What do you feel as you listen to it? Describe the ideal environment for your music. Describe your ideal season -- (number of performances, scope, length, etc.)
Ideal Experience - Summary

- Frequency of Concerts/Length of Season: 25.73%
- Collaborative: 24.59%
- Diversity of music: 14.45%
- Relevant & Engaging: 10.52%
- Venue: 9.13%

Other factors include:
- Conductor: 1.01%
- Free: 1.39%
- Backstage Pass: 1.52%
- Multi-cultural: 2.15%
- Length of concerts: 2.79%
- Soloists/Guest Artists: 2.92%
- Familiar music: 3.93%
- Pops: 4.06%
- Masterworks: 4.44%
- Educational: 5.58%
- Standing Ovation Music/Zing!: 5.58%
- Family/Children/Youth: 6.34%
- Visual element: 6.46%
- New music: 6.72%
- Size of orchestra: 7.10%
- Interactive: 7.73%
- Soloists/Guest Artists: 7.10%
- Length of concerts: 6.72%
- Multi-cultural: 6.46%
- Visual element: 6.34%
- Family/Children/Youth: 5.58%
- Standing Ovation Music/Zing!: 4.44%
- Educational: 3.93%
- Familiar music: 2.92%
- Multi-cultural: 2.15%
- Venue: 0.00%
Note

There were many different elements to the ideal experience. This overview gives additional detailed breakout on the top five elements.
Ideal Experience
“Relevant & Engaging” Keyword Drill-Down

- Fun/Exciting/Showy: 23.08%
- Audience-Based: 12.82%
- Contemporary/Targeted Toward Younger Audiences: 11.54%
- Cross-over with other genres: 10.90%
- Musician/Conductor Interaction: 10.26%
- Community-Based Events: 8.33%
- Themed: 8.97%
- Incorporate Social Time: 7.69%
- Alternative/Unique Locations: 5.77%
- Eclectic: 4.49%
- Culturally Diverse: 3.21%
- New Presentation Styles: 2.56%
- Based on Natural Environment: 1.28%
- Low Cost: 0.64%
Ideal Experience

“Diversity” Keyword Drill-Down

- General Diversity/Variety of Offerings: 70.80%
- Chamber: 8.85%
- Large Orchestral Works: 8.85%
- Pops: 8.85%
- Culturally Diverse: 5.31%
- Themed: 2.65%
- Holiday: 3.54%
- Parks/Outdoors: 4.42%
- Choral/Gospel: 3.54%
- Jazz/Rock: 3.54%
- Community-Based: 3.54%
- Multimedia: 1.77%
- Festivals: 1.77%
Ideal Experience:
“Collaborative” Keyword Drill-Down

- General: 25.00%
- CSO Chorus: 11.90%
- Ballet: 9.52%
- C of C/Colleges: 8.33%
- Visual Art/Gibbes: 7.14%
- Youth/Schools: 4.76%
- Theatre: 4.76%
- Multi-media: 3.57%
- Gospel: 3.57%
- Unlikely Partners: 3.57%
- Jazz: 3.57%
- Opera: 3.57%
- Other Orchestras: 2.38%
- Chamber Music: 2.38%

0.00% 5.00% 10.00% 15.00% 20.00% 25.00% 30.00%
Ideal Experience:
Frequency of Concerts/
Length of Season Keyword Drill-Down

- Every week: 2.47%
- Doubles/Repeats: 3.70%
- Long Concerts (90+): 3.70%
- Varied Short/Long Concerts: 3.70%
- Shortened Season: 4.94%
- Year-Round/inc. Summer: 8.64%
- Fewer Concerts/High Quality: 9.88%
- Matinees: 9.88%
- Long Season (38+): 11.11%
- Short Concerts (30-90 min): 13.58%
- 2-3 total performances per month: 17.28%
- 1-12 performances per year: 19.75%
Question #3

• Describe sustainable commitment and support.
• What does that mean to you?
• What would it take to sustain the picture of success described in your previous conversations?
• Where would this sustainable support come from?
• Who are the people, organizations, relationships that are needed to make it happen?
• What kind of culture would nurture sustainability?
 Increased Fundraising & Donor Stewardship

Better Communication/Marketing/Awareness

Audience Development (aka Butts In Seats)

New model

Partnerships/Collaborations

Corporate

Building culture of trust/sustainability

Board

Staff

Musician-Run

Music Director

Sustainability – Keywords
Appendix 2
CSO Backgrounder
History, Vision, Mission, Goals, Core Values, and Measures of Success

July, 2010
By Laura Deaton, Staff Support for the Committee
CSO History – 1819 -1936

• Charleston’s rich orchestral heritage began in the year 1819.

• Thirty to forty musicians made up the first symphony orchestra and performed mostly for friends and family.

• In 1936, Miss Maude Winthrop Gibbon and Mrs. Martha Laurens Patterson founded the organization now known as the Charleston Symphony Orchestra.
CSO History – 1936-1970

• The first concert was held December 28, 1936 at Hibernian Hall with Mr. Tony Hadgi, a cellist, as the conductor.

• During this first season, the Orchestra provided the music for *The Recruiting Officer*, the opening event of the Dock Street Theatre restoration. DuBose Heyward, whose collaboration with George Gershwin produced *Porgy & Bess*, composed a prologue especially for the opening night concert. The Orchestra remained in the Dock Street Theatre for the next three years.

• Memminger Auditorium became the home of the Orchestra in the 40’s and 50’s, and artists such as Robert Merrill, Eleanor Steber, Blanche Theirbom, Jan Pierce and Donald Voorhees performed with the Orchestra. The Orchestra played a major role in the cultural life of the community under the batons of conductors J. Albert Frecht, Tony Hadgi, Don Mills and Lucien DeGroote.
CSO History – 1970-1983

• In the late 1970’s, the Orchestra emerged as a fully professional organization with the employment of a core of full-time, conservatory-trained first chair players.
• It achieved “Metropolitan” status in the American Symphony Orchestra League - the only orchestra in the state at that time to do so.
• Gaillard Municipal Auditorium then became the home for the Orchestra in its annual season.
• The Orchestra and its ensemble groups also performed throughout the Charleston community, with Pops concerts in parks, on the aircraft carrier Yorktown, and at the U.S. Custom House.
• In 1970, the first production of *Porgy & Bess* was staged by the Orchestra for the tricentennial celebration of South Carolina.
CSO History – 1984-early 1990s

• In 1984, David Stahl became the Music Director and Conductor of the Charleston Symphony Orchestra. At that time, the orchestra had 13 musicians and a budget of $250,000.

• The Orchestra attained “Regional” professional status in 1988 and presented the premiere concert in the Gaillard Auditorium’s “state-of-the-art” acoustical shell in January, 1989.

• The Orchestra presented Porgy and Bess again in 1985 and 1990 with continued critical and artistic acclaim.

• In 1992, the Orchestra took part in a national tour of Porgy & Bess, traveling to over 100 cities in 25 weeks, including performances in Israel and Alaska.
CSO History – 1990s-Present

• The last two decades have been marked by increased growth in the community.
• In July, 2005, the Charleston Symphony Orchestra appointed Scott Terrell to the new position of Resident Conductor. Terrell played an active role in programs with a focus on Pops and the CSO’s Education and Outreach Programs, which reach thousands of school children in the tri-county area.
• Throughout the history of the Orchestra, there has been a major commitment to the development of musical experiences for children through a variety of educational programs and concerts. During the most recent seasons, The Charleston Symphony Orchestra has reached over 10,000 students through in-school concerts given in the Charleston, Berkeley and Dorchester County school systems.
• Up until recently, Maestro David Stahl and a resident orchestra of 45 professional full-time musicians performed a demanding concert schedule, making the Charleston Symphony Orchestra the largest full-time performing arts organization in South Carolina.
The orchestra ended the 2003 season with a significant deficit ($333K), and the three-year contract with the musicians that followed resulted in a significant pay reduction for the musicians as the orchestra attempted to stabilize (more financial details later).

Following that 3-year contract, the musician’s signed a one-year contract and the Board committed to spending the 2006-2007 season engaging in joint strategic planning with the musicians, artistic leadership and the management team.

AMS Research was hired to facilitate the strategic planning process and much of the detail that follows is from that process.
CSO Vision

Vision
The Charleston Symphony Orchestra provides artistic leadership by preserving and advancing the art of music.

Artistic Vision
We will be an ensemble of curious, inventive, highly skilled professional musicians who are committed to creating and performing excellent and progressive (innovative) programs that connect deeply with our audience.
CSO Mission

The mission of the Charleston Symphony Orchestra is to enrich the cultural life of the Lowcountry by providing music of the highest artistic and technical quality. This is accomplished by:

- Performing a diverse symphonic repertoire.
- Performing imaginative, musically enriching live concerts of music meant to entertain.
- Performing chamber music in intimate settings.
- Developing enduring relationships with schools in the Greater Charleston area by providing educational programs and services to students, teachers, and institutions.
- Collaborating with area organizations to foster the arts in general.
- Developing an ensemble composed of the best possible professional musicians, nurturing them, and enabling them to succeed.
Core Values and Competencies

Core Values
• Commitment to sharing, uplifting, educating
• Artistic energy -- performing with joy and optimism
• Tremendous desire to play – overachieving
• Discipline -- really caring about the quality of work
• Aspiration -- a thirst for learning and growth
• A culture which is internally collaborative; camaraderie
• Flexibility, patience, and pride

Core Competencies
• Sound and sonority
• Performance characteristics indicative of the art – versatility of sound reflective of the composer’s intent
• Individual musicianship
• Focus on performance
• Growth from the first rehearsal to performance – never stagnant
• The ability to quickly mobilize musical forces; agility
• Success crossing genres of performance art (through collaboration)
• Arts in Schools program
Overriding Goals

Goal I: An Orchestra of Artistic Excellence

Goal II: A Sound, Sustainable Financial Operating Model

Goal III: An Operationally Excellent Management Approach and Style

Goal IV: A Respected, Valued Member of the Charleston Community
Measures of Success – Artistic Excellence

To be considered an industry leader in innovative programming and collaborations that create an inclusive audience and instill in musicians and audience alike an attitude of discovery.

*Benchmarks: growth in offerings, including venues, diversity of repertoire, and more and different types of performances.*
Measures of Success – Organizational Excellence

To become a great place to work and serve. To create a stable organization that is intellectually and musically ALIVE, with a culture of trust that inspires widespread engagement among board members, musicians, and staff.

*Benchmarks:* decision making in the context of vision and mission; on-going leadership cultivation in all segments; employees who serve as ambassadors regardless of position in the organization; many applicants for open positions; an organization that is not afraid to try something new.
Measures of Success - Audiences

To fill the hall with diverse audiences.

Benchmarks: audience growth exceeds market population growth; market penetration of diverse audience demographics.
Measures of Success - Finances

The CSO is a model for non-profits to emulate, financially.

*Benchmarks*: revenues grow faster than expenses; operate slightly in the black at all times; positive cash flow; employees are paid a fair wage; year-end surpluses become foundation for reserve fund or endowment.
Measures of Success – Community Presence and Brand

The orchestra enjoys a high degree of community awareness.

*Benchmarks:* general public is aware of the orchestra’s concert schedule; concerts are perceived to be “must see” events; anyone planning a major event wants the orchestra to be the centerpiece; demand for appearances exceeds availability.
Measures of Success – Education

The orchestra cultivates and educates children and young families through education programs that reach throughout the region.

_Benchmarks: increased participation in programs tailored to different age groups._
Measures of Success - Venues

Over time, a new concert hall for the orchestra.

*Benchmarks:* modernization of the Gaillard Auditorium; performances in the modernized Memminger Auditorium and Dock Street Theatre.
Key Informational Sources

• CSO Board of Directors Manual
• CSO Website
• AMS Strategic Plan, 2008
Appendix 3

CSO Backgrounder
Summary of the last decade of CSO Audited Financials
1999-2009

July, 2010

By Laura Deaton, Staff Support for the Committee
Summary of Revenue and Expense

This period includes data that spans multiple leadership teams, including 4 Executive Directors and 5 Board Presidents.
One-time large gift from individual donor

- Earned Income
- Grants
- Contributions
- Other
Expense Breakout by Source
Artistic Expenses

Note: Increase in artistic staff number beginning in 2008 is a result of reclassifying production staff from G & A budget to Artistic staff instead. No wage increases were made.
Note: Contributions to endowment are pass-through funds earmarked by CSO League for endowment, even during deficit years.
Appendix 4

CSO Backgrounder
Ticket Sales/Attendance Trends for Masterworks and Pops

July, 2010
By Laura Deaton, Staff Support for the Committee
Revenue by Concert Series

CSO Series Revenue Trends

Piccolo was included as a sold service

Double Pops – Gaillard and PAC

Chamber series terminated due to cost and contract limitations

- Sold Services
- Masterworks
- POPS
- Chamber
- Other
Masterworks – Season & Single

Masterworks Revenue Ticket Trends

- Masterworks
- Season
- Single

Revenue trends from 1999 to 2009.
Masterworks – Average Ticket Revenue per Paid Seat

Ticket Revenue Per Paid Seat

Linear (Ticket Revenue Per Paid Seat)
Pops – Season & Single

POPS Ticket Revenue Trends

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

$- 20,000 40,000 60,000 80,000 100,000 120,000 140,000 160,000 180,000 200,000
Pops – Average Ticket Revenue per Paid Seat

![Graph showing average ticket revenue per paid seat from 10/10/03 to 3/13/10, with peaks and valleys in ticket revenue over time.]
Pops Audience Size

Audience #

- Jump, Little Children
- Starlight Boone Hall

=Holiday Pops

Linear (Audience #)
Appendix 5

Summary of Studies

July, 2010

Compiled by Laura Deaton

(Links to full studies are appended)
Roger Steel, a long time patron of the CSO, kindly summarized these briefs and provided them for committee review. His summary has also been supplemented and summarize in several places by Laura Deaton.

2002-2006

KNIGHT FOUNDATION BRIEFS
Background

• In 1994 the Knight Foundation undertook a fieldwide initiative to improve American symphony orchestras in the communities where it serves as a local funder.
• The first five-year phase of the program provided $5.4 million in grants supporting innovative multiyear projects at 10 orchestras.
• 1999 - The foundation approved a second phase of the program, which expanded to encompass 15 orchestras. The second phase goals were:
  – To support programs that produce a demonstrable increase in the ticket buying audience;
  – To help orchestras develop a stronger sense of connection with new and potential audiences;
  – To enhance the relationship between musician and orchestra, audience and community;
  – To develop a clearer understanding of the market dynamics in which symphony orchestras seek to develop and nurture audiences.
Policy Briefs

• The foundation produces a series of “Policy Briefs” to document their experience as a funder and the common experiences of the orchestra. What follows is a summary of those briefs.
Brief #1 – Bridging the Gap (Feb. 2003)

• In the spring of 2002, Knight hosted its annual retreat for representatives of the 15 participating orchestras. Orchestra administrators, musicians and board members heard comments from Knight Foundation’s Vice President and Chief Program Officer Penelope McPhee, who has played a pivotal role in conceiving and developing the orchestra initiative. This article is excerpted from McPhee’s comments.
• Communities don’t need an orchestra just for the sake of saying they have an orchestra.
• The more orchestras peel off 3 to 4 percent of an economically elite, racially segregated fraction of the community, the more they will be part of the problem instead part of the solution.
• The caliber of the playing, the renown of the conductor, and the architecture of the world class hall mean nothing if the sound doesn’t resonate through the community.
• There is a disconnect between classical music listeners and local orchestra patrons.
• While 60% of adults express some interest in classical music and one-third fit classical music into their lives less than 5% are regular patrons.
• We need to do something fundamentally different from what we have done before. Everything is on the table for review- repertoire, musical genres, ensemble configurations, venues, performance times, guest artists, etc.
The music director, trustees, musicians and staff must buy into and then participate in the planning and implementation of major change.

Unless and until orchestras decide that their mission is to serve audiences in the ways audiences want to be served, they will never attract more than the current 3 to 4 percent.

Until each individual orchestra examines its mission statement and eliminates the elements that are at cross-purposes, it will be impossible to develop change strategies that work.

This entire symphony orchestra initiative has been premised on strengthening, deepening and broadening the relationship with audiences in communities.
Lessons Learned

• Musicians are essential to making the connection with the audience
• Music directors can be major obstacles to transformational change
• Thoughtful, well-crafted programmatic innovation simply cannot happen when an institution is in the midst of a financial crisis
• Strategic change cannot happen without strong, consistent leadership
• Change does not happen quickly
Brief # 2 - Orchestras and Classical Music Listeners (June 2003)

• In all, about 27 percent of adults are prospects for their local orchestras. The rest of the adult population has so little interest in classical music that they cannot be considered likely customers for local orchestras.

• PROSPECTS
  – Captured prospects (current subscribers) make up between 2 and 4%
  – Low Frequency Alumni (people have been to concerts) make up 15%
  – Uninitiated Prospects (like classical music but never attended a concert) make up 8%

• With many people listening to classical music at home or in the car having the local orchestra’s recordings listened to can help attendance

• Presenting concerts at local venues outside the city could help interest
Subscription sales have two major flaws
- It filters out younger people
- People not interested in making that commitment
  - Also the best tickets are sold to subscribers at the lowest cost
Subscription sales are the sweet honey that sustains the orchestra now and a slow-acting poison that impedes long-term sustainability
Social Context
- 60% of people are responders (will attend if someone asks them)
- 16% are initiators (they organize social gatherings)
- This implies a need to shift marketing strategy that encourages attendance in small social groups
There needs to be a willingness to engage fans of the music in various settings and multiple styles. This means taking risks, both financial and artistic on both sides of the stage
Orchestra prospects represent 27% of adults compared to 3 to 4% who attend concerts
• Education may not be the answer. While orchestras everywhere are expanding their educational programs in an effort to encourage concertgoing and attract new audiences, research indicates that in the long run education in itself does neither.

• Other strategies—such as nontraditional concert formats and performances that link classical music to other art forms—are more effective ways to expand and diversify audiences, energize the concert experience and increase revenues over time.

• Nontraditional concerts also appear to be successful in reaching young adults, age 45 and under

• Unplugged concerts (familiar classical repertoire with a popular culture) also offered inexpensive tickets and casual concert atmospheres, video enhancements, conductor commentaries, guest hosts and after-concert parties.
Free community concerts may be an effective means of introducing community residents to their local or regional orchestras.
Consider on occasion having some audience members sit on the stage.
Orchestras may be misusing scarce funds by spending too much to please a shrinking subscriber base and not enough to attract newer audiences who may hold broader definitions of classical music.

What Can Orchestras Do?
• Be open to change
• Upgrade information technology capacities
• Keep their eyes on the data that helps evaluate what they are doing
Brief #4 – Audience as Initiators and Responders (July, 2004)

- A mounting body of research suggests that who invites you to a concert has as much to do with your decision to attend as other factors such as program, guest artists, etc.
- An external stimulus from a friend or family member has more to do with attendance than brochures or other attempts to gain interest.
- For responders, they are more likely to attend if someone invites them.
- Initiators like to organize outings to cultural events for friends.
- There are three times as many responders as initiators.
- Initiators are like resellers, between arts organizations and audiences.
Brief #4 – Cont’d

• Consider motivational meetings to inspire sales associates to make quotas.
• Numerous orchestras offer preconcert receptions for new or casual attendees.
• Younger classical consumers are more likely to attach importance to the social aspect of attendance.
• Consider designing a marketing support system for initiators.
• Gear web sites oriented to initiators.
• Create systems for facilitating organizing friends to attend concerts.
• Consider interaction between other arts organizations, organizing music clubs, friendship groups that meet monthly, etc.
• Contextual Programming
  – The practice of selecting programs, series and even whole seasons around unifying ideas- topics, themes, genres, idioms, artists and other constructs
    • Example: anniversary programs of composer’s birth or death
    • Programs for adult newcomers
  – Consider video enhancements

• Dramatization of Classical Music
  – Use of narration, drama, dance, scenery, lighting and video
Brief #5 - Orchestras in the Age of Edutainment (Dec. 2004)

• Visual Enhancements
  – Use of banners, flags, projections and ambient lighting to the stage.

• Imbedded Interpretation
  – Examples are program notes, web-based resources such as audio clips and educational CD’s and interpretive assistance integrated into the concert.
  – Innovation is never easy. Leaps forward happen between small steps and the occasional wipeout.
  – Reimagining the classical music concert is not about dumbing anything down, but rather smartening it up.
EXECUTIVE SUMMARY

• Save the symphony campaigns tend to produce temporary results at best and are counterproductive at worst, unless accompanied by fundamental institutional change.

• Without strong, unified leadership from all segments of the orchestra family - music director, musicians, board and executive leadership - change is unlikely.

• What happens in the concert hall - the choice and presentation of the music and the way the musicians (and music director) interacted with the audiences - is most transformative.
LESSONS LEARNED

• The problems of orchestras stem not from the music they play but from the delivery systems they employ.
• An orchestra cannot be all things to all people. The mission of the orchestra needs to be clear, focused and achievable.
• Orchestras must be relevant and of service to their communities and to the people that live there if they hope to find the resources to survive.
• Transformational change in the orchestra is dependent on the joint efforts of all sectors of the orchestra family.
• There is no magic bullet; only a combination of many strategies will be effective.
LESSONS LEARNED

• Free programming and outreach do not turn people into ticket buyers
• Traditional audience education efforts end up serving those that are the most knowledgeable and most involved with the orchestra
• Participatory music education - primarily instrumental lessons, ensemble and choral programs - will turn people into ticket buyers later in life
• There is no evidence that exposure programs for children - will turn them into ticket buyers as adults
• To grow their audiences, orchestras need to do more research on those who do not attend their concerts rather than focus on those who are already buying tickets
• Turnover of staff and board will be a fundamental challenge to effectiveness
“In spite of their vitality, growth in numbers, and the volume of their attendance, all symphony orchestras are facing serious financial problems and their future rests on an unstable basis. Receipts from tickets have never been enough to balance the costs.... All, therefore, have had to resort to various kinds of deficit financing.... Endowments are becoming more difficult to build up and the income therefrom has been found uncertain when most needed in depressions. Annual maintenance fund drives are finding fewer large donors and are reaching out for more contributors of small sums. Subsidies have been little tried in this country and involve many problems.” – America’s Symphony Orchestras by Margaret Grant and Herman S. Hettinger, 1940
Background

• Funded by the Mellon Foundation
• Independent study of economic issues facing the symphony orchestra industry
• Conducted by Robert Flanagan – Stanford School of Business
What does report address?

• Cyclical and trend developments in economic health of symphony orchestras
• Influences on performance and nonperformance revenues and expenses
• Financial and performance data came from League of American Orchestras.
• Local market info came from public sources
Which orchestras?

• Every orchestra that was one of 50 Largest (based on budget) for more than 2 years between 1987-2004 (n=63)
• Represents over 70% of total orchestra revenues in U.S.
Findings – Economic Challenges

• *Performance revenues* from concerts, broadcasts and recordings do not cover *performance expenses* for artistic personnel, concert production, marketing, and general administration.

• The resulting *performance income gap* has worsened over time and will worsen in the future.

• Symphonies try to offset the performance income gap with *nonperformance income*, including contributions (from individuals, businesses, and foundations), government support, and investment income.

• The *annual financial balance* of a symphony indicates the extent to which nonperformance income has offset the performance income gap.
Broad Developments

• Even comparatively healthy orchestras have encountered significant economic challenges, including a worsening of the performance income gap, declining attendance per concert (for virtually all types of concerts) that limits performance revenue growth), and a tendency of performance expenses to grow more rapidly than other costs in the economy.

• This group of 32 large orchestras has also experienced growth of private contributed support, and a decline of government support.
Cycles and Trends in Revenues, Expenses, and Contributions

• The financial health of symphony orchestras is sensitive to the general state of the economy. The burden of recessions on orchestras results as much from the decline in contributed support—particularly private contributions—as from cyclical change in the performance income gap.

• Recessions worsened the overall surplus/deficit position of the average symphony in this sample, while business expansions improve the overall financial balance.
Cycles/Trends Cont’d

• Holding the influence of general economic conditions on symphony finances constant, upward trends in *private* contributed support and investment income offset both a long term decline in *government* support and the long-term deterioration in the performance income gap.

• As a result, there was a modest trend improvement in the overall surplus/deficit position of orchestras in the late 20th century.
Concert Attendance

• Annual concert attendance declines sharply in recessions and increases during economic expansions. After holding general economic conditions constant, annual attendance has increased as orchestras have added concerts to their schedules, but adding concerts yields smaller and smaller attendance gains. In fact, attendance *per concert* declined throughout 1990s and into the new century.

• Even if every concert were sold out, the vast majority of U.S. orchestras would not earn sufficient income to cover all performance expenses.
Ticket Pricing/Marketing

• Once the number of concerts has been set, an orchestra’s ticket pricing and marketing policies influence attendance per concert.
• Higher ticket prices discourage some attendance but raise performance revenues.
• Higher marketing expenditures increase attendance at regular season concerts.
• Incremental expenditures on all types of marketing activities are subject to diminishing returns—successively smaller gains in attendance per concert.
Location and Other Arts

• Location also influences attendance, which is positively related to an area’s population (but is not significantly related to either the real per capita income or unemployment rate in an area).

• To a small degree, symphony and opera performances may compete for attendees: An increase in opera ticket prices raises symphony attendance (and conversely), with other influences held constant. No impact was found for influence from other performing arts.
Artistic Costs

• Artistic costs constitute the major expense category of expense for orchestras but have declined as a percent of total costs.
• Most symphony musicians are unionized, and their salaries are set in collective bargaining agreements signed by both labor and management representatives.
• Between the 1987 and 2003 concert seasons, the minimum and average effective salaries of regular orchestra musicians increased more rapidly than consumer prices, the average wages and salaries of other unionized workers in the United States, and the average wages and salaries of nonunion workers.
• Payments to guest soloists and guest conductors have increased at about the same rate as the salaries of orchestra musicians.
Public and Private Support

• All symphony orchestras must rely on private philanthropy and government support to offset their performance income gap, but orchestras differ widely in the extent to which they rely on private contributions by individuals, businesses and foundations.

• Government support is invariably a less important source of funding than private philanthropy. The highly varied structure of nonperformance income for orchestras indicates that they do not follow a common model for achieving financial balance.

• Philanthropic contributions to orchestras depend on the characteristics of their market areas, the development activities of the orchestras, and (to a small extent) the development activities of competing performing arts organizations.

• Orchestras in areas with higher per capita income receive more private contributions.
Support – Cont’d

• Orchestra ticket-pricing, concert programming, and fundraising policies also may influence the level of contributed support.

• Once the effects of an area’s economic capacity are held constant, the effect of fundraising activities on contributed support appears more modest than sometimes claimed. This is particularly true for larger orchestras.

• There are indications that annual fundraising expenditures do not immediately pay for themselves.
Support Cont’d

• There is some evidence of competition between different performing arts organizations for contributed support.

• Although the evidence is not ironclad, it appears that a small proportion of increased private contributions to operas comes at the expense of symphony orchestras in the same area, and vice versa.

• While, this competitive effect is small in the data for the late 20th century, it could lead to a mutual and mutually unproductive escalation of development and fundraising expenditures by all competing arts organizations.
Endowments

• The returns on endowment experienced by individual symphony orchestras are highly dispersed even though they all have access to the same capital markets when they invest their endowments. Returns to endowment investments are cyclically sensitive.

• The endowment policies of most symphony orchestras permit annual draws from the endowment of 5-7 percent in nominal terms. The actual draws of some symphony orchestras appear to exceed this policy.

• Actual symphony orchestra endowments are not sufficiently large to cover performance deficits at prudent endowment draw rates.

• Endowment draw rates that would offset performance deficits in the short run are so high that they would cannibalize endowments to a point where it could sustain only smaller draws in the future.
2003-2008

ELEPHANT TASK FORCE
Background

• In 1999, The Andrew W. Mellon Foundation established the Orchestra Forum as part of a ten-year initiative designed to further creative thinking and innovation among orchestras and related organizations. Forum meetings bring together musicians, managers, and trustees of participating orchestras with invited scholars and leaders from the performing arts, and sessions include blocks of time for ad hoc discussions focusing on participant posed questions.
Background

- The so-called Elephant Task Force (ETF), a cross-constituent group of musicians, managers, and trustees, grew out of one such discussion in late spring 2003 - a time when a significant number of orchestras were facing financial challenges. The economy was still reeling from the bursting of the stock market bubble and the direct aftereffects of 9/11, and national resources were being reallocated away from the arts. Orchestras, both major and regional, had reported significant financial deficits the prior season. All of the Forum orchestras admitted to projected deficits that year ranging from 5 to 15 percent of revenue. The group met from 1999-2009.
ETF Members

• Participating orchestras: Baltimore Symphony, Cleveland Orchestra, Kansas City Symphony, Louisiana Philharmonic, New Jersey Symphony, New Mexico Symphony, Philadelphia Orchestra, Pittsburgh Symphony, Richmond Symphony, San Francisco Symphony, Seattle Symphony, Saint Louis Symphony, Orchestra of Saint Lukes, Saint Paul Chamber Orchestra, Toledo Symphony.

• Baltimore, Kansas City, and San Francisco did not remain in the program for the full ten years.
Background

• From the outset, one key issue for the ETF was the question of whether fiscal problems were structural or cyclical. This question loomed large, for the organizational implications of it being one or the other are significant. A verdict in favor of cyclical would imply that the status quo is fundamentally sustainable, and the key financial challenge for orchestras would be to gain greater ability to withstand the inevitable ebbs and flows of the economy. A verdict that the problem was structural would carry with it far greater implications for the long-term management of the organization.
Background

• In March 2006, in response to the ETF’s conclusion that there was a need for independent, third-party research this issue, the Mellon Foundation engaged Stanford University Economics Professor Robert Flanagan1 to analyze the cyclical and structural influences on the economic performance of orchestras. Responding to the central question posed to him, Flanagan found that changes in the financial balances of orchestras reflect the influence of both general economic conditions (i.e., cyclical effects or business conditions) and trend factors (structural factors unrelated to changing economic conditions over the business cycle). The ETF report makes use of only those portions of Flanagan’s research dealing with the cyclical/structural questions.
WHAT FOLLOWS

• The slides that follow come from a presentation by the ETF at a League of American Orchestras Managers meeting in Winter, 2009. These slides have not been modified.
The Orchestra Forum
“Elephant” Task Force

League of American Orchestras
Mid-Winter Managers’ Meeting
January 25, 2009
There Is an Elephant in the Room

What Are WE Going to Do About the Lousy Economy?
Getting to the Point

The Elephant Task Force has addressed the root causes of our malaise:

Cheap Trustees
Greedy Musicians
Unappreciative Communities
Arrogant Music Directors
Shitty Management
More Seriously

The EFT tried understand root causes of Orchestras’ financial trouble

How serious is it?
Is it cyclical or structural?
What lies at the core of the problem?
Is lack of money the cause of problems?
Do other factors cause money problems?
Four Areas of Concern

• **Community Relationships**: The ability of the orchestra organization to connect meaningfully to its community and creates true public value;

• **Internal Culture**: The ability of the orchestra constituents to work together in mutually supportive and cooperative ways;

• **Artistic Activities**: The ability of the orchestra to deploy artistic resources broadly and effectively in service of the art form, the community, and individuals in the organization;

• **Financial Structure**: The ability of the orchestra to match cash resources with expenditures either to maintain the status quo or to achieve financial viability or financial robustness.
The Areas of Concern—everything affects everything else

- Community Relationships
- Financial Structure
- Artistic Activities
- Internal Culture
Financials Behind the Story

2004 – 2010 Projections
[based on data from two ETF orchestras]
From the limited data, the ETF used six principal drivers of orchestra financial performance to make projections:

• Total number of tickets sold
• % of tickets sold in subscriptions vs total tickets sold
• Ticket price increases over time
• Ratio of contributed revenue to total expense budget
• Ratio of endowment size to total expense budget
• Ratio of average expense increases to average annual revenue increases
Orchestras A & B: Over time expenses grew faster than inflation and faster than revenue growth.
Projections of Financial Performance
Orchestra A
Hypothetical Financial Projections

• Three Cases
  – Case 1: Historical trends from the last 8 years projected forward to 2010
  – Case 2: Historical trends with possible cyclical improvements
  – Case 3: Significant changes in trends
• These are hypothetical changes
Orchestra A Case 2004-2009
Cyclical Improvements (revenue grows 7-8%/yr)

Total cumulative deficit in years 2004/2005 through 2009/2010 is $48.3.
Total cumulative deficit peaks in 2006/2007 at $12.9M
Total cumulative deficit in years 2004/2005 through 2009/2010 is $6.3M.
Central Questions

• Could the orchestral field possibly go on like this?
• Is the problem cyclical?
• Is the problem structural?

• This led to the Flanagan Report
Stanford Economics Professor Robert Flanagan
“The Economic Environment of American Symphony Orchestras”
December 2007
Approximately 60 Orchestras over 20 Year Period (1987-2004)

Key Finding: It’s both

Let’s take a look...
During the period studied by Flanagan, this “gap” was, on average, slightly more than filled by nonperformance revenue (contributions and draws from endowments)—See View II.*

* Note—There is no particular reason to assume that performance and nonperformance revenue are unrelated. Indeed, there is evidence to suggest that volume-related increase in performance revenue generates additional contributed revenue.
During the period studied by Flanagan, this “gap” was, on average, almost exactly filled by nonperformance revenue (contributions and draws from endowments).
View II—Add Nonperformance Revenue to Performance Net
(Cycles Excluded)

Nonperformance Revenue

A Fragile “Trend” toward Surplus
“Gap” more-than-filled with nonperformance net

Flanagan’s Performance Income Gap
(the net of performance revenue and performance expense)
View III—Add Cyclicality to the “Fragile Trend”

- Nonperformance Revenue
- A Fragile “Trend” toward Surplus
- “Gap” more-than-filled with nonperformance net
- Flanagan’s Performance Income Gap
  (the net of performance revenue and performance expense)
A Simpler Way of Looking At It

Why spend what the top of the cycle allows without saving for a rainy day?

Where is our staying power?
What if we spent only what the bottom of the cycle allowed and saved the surplus for programmatic investments or a truly rainy day?
Should the business model be revenue driven, not expense driven?

Can we afford expense growth that exceeds revenue growth?

Should surpluses be set aside during expansionary cycles and spent in down cycles?
PERCENT SURPLUS/DEFICIT BY GROUPINGS
FY00-FY07
GROUP I EXPENSE vs DOW JONES YEARLY AVERAGE

Projected 2% Increase
What If.....?

Your by-laws REQUIRE
a 5% surplus of projected revenue over projected expense for the board to approve a budget?
Other Flanagan Issues

• Audience size & price
• Accident of location
• Fundraising validity & efficacy
• Competition from other performing arts groups
• Endowment management & draw
The Elephant Questions

• Are you willing to bet the future of your organization on your ability to manage your way out of this financial hole?
• Can you afford the “tried and true” which has produced a legacy of accumulated debt and deficit, declining audience, broken contracts and “crisis to crisis” management?
• Or would this inspire you to think about it all differently?
• What if the financial problem was due to deficits in the artistic area, in community relations and internal culture instead of the other way around?
• Is there something deeper at work here?
Four Areas of Concern

- **Community Relationships**: The ability of the orchestra organization to connect meaningfully to its community and creates true public value;

- **Internal Culture**: The ability of the orchestra constituents to work together in mutually supportive and cooperative ways;

- **Artistic Activities**: The ability of the orchestra to deploy artistic resources broadly and effectively in service of the art form, the community, and individuals in the organization;

- **Financial Structure**: The ability of the orchestra to match cash resources with expenditures either to maintain the status quo or to achieve financial viability or financial robustness.
The Areas of Concern—everything affects everything else

- Community Relationships
- Internal Culture
- Artistic Activities
- Financial Structure
Thinking About Possible Solutions

• Challenge the status quo
• Put provocative ideas on the table
• Present ideas, not prescriptions
• Be open to reflections, changes, support and challenge to the ideas developed
Creative Visions

- Designed to make everything better, the music, the musicians, the board, the staff, the concert experience, the community connection, the essential culture of the organization

- Simple, radical ideas

- Describe an envisioned future, not today’s situation

- Should be challenging to implement even if we all agree, but possible if we work really hard

- Ultimately need to reflect an individual orchestra’s realities
Ask Yourself if these Statements Reflect.....

• Your organization’s philosophy

• Your organization’s behavior

• Your organization’s priorities

• Your organization’s resource allocation
A Vibrant Orchestral Organization Might, in its Community Relationships...

• See community engagement as the core mission …
• Be motivated by enlightened self-interest …
• Be responsible first to the community—move from a delivery system to a service culture …
• Understand it’s not always just about the music …
• Inspire people to make music …
• Believe the community offers inspiration for artistic discovery and can stimulate innovation, discovery, creativity, and fun …
A Vibrant Orchestral Organization Might, in its Internal Culture...

• Embrace a culture of partnership and mutual responsibility ...
• Value and invest in personal and professional growth ...
• Reinforce individuals’ accomplishments and contributions to organizational health ...
• Operate as a true partnership led by a managing partner...
A Vibrant Orchestral Organization Might, in its Artistic Activities...

- Believe that responsibility for artistic growth and quality is shared throughout the organization and have imaginative and accountable artistic leadership...
- Provide fulfillment and contribute to the artistic growth and development of everyone in the organization...
- Invest in research and development...
- Produce and/or promote a broad range of significant artistic activity beyond the concert hall...
A Vibrant Orchestral Organization Might, in its Financial Structure...

• Be revenue driven rather than expense driven ...
• Ensure adequate resources for future partners in the organization ...
• Balance aspirations with proven financial capacities over time ...
• Adopt a financial structure that smoothes out fluctuations caused by the economy...
• Share risks and rewards ...
Lots to Think About
There Was an Elephant in the Room
AUDIENCE RESEARCH – NEA AND LEAGUE OF AMERICAN ORCHESTRAS
Background

• Two national studies, the National Endowment for the Arts 2008 Survey of Public Participation in the Arts and the League’s Audience Demographic Research Review, were released at approximately the same time.

• They both offer statistically reliable national demographic information about audience participation.

• This summary of both studies is extracted from a memo by the League of American Orchestras.
In June 2009, the National Endowment for the Arts issued highlights from its Survey of Public Participation in the Arts (SPPA) detailing changes since its last survey, done in 2002.

The fifth such survey since 1982, this study, done in partnership with the U.S. Bureau of the Census, (sample size was 18,000) also reviewed trends across the 26-year period from 1982-2008.
Background – cont’d

• Several months earlier the League, through its Research Advisory Council, had identified a need to collect and analyze existing demographic audience participation data and trends. The League asked a team from McKinsey & Company to create an Audience Demographic Research Review.

• The McKinsey team utilized two data sources in addition to the NEA’s SPPA including the annual Experian Simmons National Consumer Survey for the period 2003-2007. This survey, like the NEA survey, has a very large sample size (25,000).

• The team then incorporated data from the League’s Orchestra Statistical Reports (OSR). The data in all of the sources was gathered before the financial market drop in fall 2008.

• The League’s Audience Demographic Research Review confirms the NEA findings, while providing new details about behavior within and across generations. The League report also reconciles the OSR reports with the findings of the two studies.
Overview of Combined Key Findings

• The percentage of the U.S. population that attends classical music events has been declining over 25 years, with the steepest drop between 2002 and 2008. Overall classical music participation rates declined by 29% between 1982 and 2008, and by 20% between 2002 and 2008.

• All performing arts have seen similar declines over the past 25 years and the past six years. So have sports events, movie theaters, and outdoor activities. For example, opera has seen a 30% decline; active sports a 32% decline between 2002 and 2008.

• Through 2002, declining participation rates were masked by growth in key segments of the population; so while unique audience (the number of people who reported attending at least once a year) was increasing, the percent of the total population was declining.

• Since 2002, however, the unique audience for live classical music has declined by 13%, because population growth is no longer enough to counter declining participation rates.
Since 1982, participation rates have generally declined both between and within generations. We cannot assume that people will attend more as they enter the 45+ age group. For example, Gen Xers participate less than did Late Boomers at the same age.

Boomers probably are attending more frequently. That is why we seem to see more of them, even though their participation rate is down. In 2002, 15.2% of adults aged 45-54 participated; by 2008 the percentage had dropped to 10.2%.
Overview – Cont’d

• Classical musical audiences are graying, faster than the general public. The median age for classical music attendance has steadily risen, from 40 in 1982, to 49 in 2008. The median age for the U.S. adult population rose from 39 to 45 during the same period.

• College-educated adults (including those with advanced degrees) have curbed their attendance of events in nearly all art forms, with a decline of 39% for classical music events from 2002 to 2008.

• Projected national racial/ethnicity changes could offer intriguing opportunities for orchestras. The League’s Audience Demographic Research Review showed that Hispanics will increase their share of the total live classical audience from about 12% to 20% by 2018.
Overview – Cont’d

• The percentage of people performing/playing classical music over the past 6 years increased from 1.8% to 3% of adults, a significant increase.

• More Americans listen to classical music broadcasts or recordings (including online) than attend them live. Classical music attracts the greatest number of adult listeners compared with jazz, opera, musicals, and Latin music. Nearly 18% of the US population listens to classical music broadcasts or recordings.

• Americans are turning to performances online in record numbers. Of the 70% of US adults that go online regularly, more than 30% accessed arts performances online.
Links to Full Studies

Knight Foundation:  http://www.knightfoundation.org/research_publications/index.dot#art


The Elephant Task Force Report:  

NEA Survey of Public Participation in the Arts:  

League of American Orchestras: Audience Demographic Research Review:  
Appendix 6
Steering Committee
Summary of “Orchestral Ecosystem’s”
Strengths, Weaknesses, Opportunities
and Threats

July, 2010
Content provided directly by the Steering Committee.
Summarized by Laura Deaton, Staff Support for the Committee
SWOT Analysis

Note: This SWOT was not CSO-specific but instead was focused on the ecosystem that provides and funds professional orchestral music in Charleston. Until recently, the CSO was the center of this eco-system, so there is also some CSO-specific content that emerged during discussions as well.
Strengths

• Charleston has a reputation as an international arts community, and a thriving creative culture that draws a large number of talented artists. The City of Charleston has been deeply committed to creating and maintaining this reputation.
• This reputation also boosts tourism and attracts well-heeled, well-educated retirees as residents.
• The presence of the Spoleto Festival and Piccolo Spoleto adds to this attractiveness and enhances Charleston’s reputation as a cultural Mecca.
• There are numerous organizations that foster high quality classical music in Charleston and demonstrate a commitment to the art form.
• As the linchpin for year-round classical music in Charleston, the CSO has had a growing reputation as a strong launch pad for highly-trained, talented young professional musicians.
• The CSO has also served as an umbrella organization for several other related organizations including the CSO Gospel Choir, the CSO Chorus, and the Youth Orchestra of the Lowcountry.
• The Charleston Symphony Orchestra League is a tremendous all-volunteer fundraising resource in the community and wants to continue their commitment to, and support for, the arts.
Weaknesses

• The culture of philanthropy in Charleston is fragmented. Much of the support goes to social services, leaving a smaller piece of the funding pie for the arts.

• Performing arts organizations in the region are “stagnantly fragmented.” There are a number of high profile leaders, but egos get in the way of more frequent collaboration. This lack of collaboration results in donor funding being split across a large number of small organizations.

• Spoleto doesn’t depend on resident professional musicians and artists. It draws resources away from year-round performing arts groups, instead of supplementing them.

• Many performing arts organizations in Charleston do not have the leadership capacity or the structure that fosters “business-like” best practices and innovation. They are not nimble, and as a result are slow to respond to changes in the marketplace.

• There is no fluid market for musical talent in Charleston. The current eco-system does not provide an infrastructure that allows professional musicians in any genre to successfully create a “livable” menu of work options that includes benefits and retirement options.

• After more than a decade of financial struggles, Charleston’s full-time symphony orchestra has closed its doors for the first time in its 74-year history.
Weaknesses, Cont’d

• The history and public nature of the CSO’s financial and leadership difficulties has resulted in a lack of trust, both between labor and management, and between the organization and the community as a whole. As a result, people do not believe that it is possible to “right the sinking ship” without significant retrenchment.

• Without the CSO, most of Charleston’s professional orchestra musicians are left without a regular pay check, and without access to benefits such health insurance and retirement.

• Charleston’s distance to and from major cities is an impediment in two ways: (1) It makes it difficult for our musicians to easily travel to other locations for additional work and (2) It makes it difficult for us to regionally recruit professional caliber per-service musicians/substitutes and guest artists to augment the existing core of local professional musicians.

• There isn’t a broad sense of “belonging” or “ownership” for orchestral music in Charleston across all demographics. The audiences that currently support professional symphonic music in Charleston are primarily retirees and older audiences. Young people are not comfortable in formal symphonic settings, and are infrequent attendees.

• The Gaillard is too large, and has acoustic problems. The management of the facility has done little to market and promote the venue in a way that builds audience support and excitement about attending performances there.

• Community forum participants were very clear that they would love more outdoor concerts, yet our high heat and humidity during the summer months makes that nearly impossible, and limits year-round opportunities for orchestral musicians (except in indoor venues).
Opportunities

• There is an “unformed desire” for orchestral music, which creates a malleability that can be shaped to create demand. Charleston’s reputation as an “entertainment” community can be used to foster innovative collaborations that would appeal to many different kinds of audiences.

• Jazz is receiving increasing interest as a musical form that appeals to a wide variety of audiences. The emerging jazz scene, both in general and in Charleston, could be used to create entrée to professional orchestral performance.

• It is important to build and cultivate a youth and young adult audience and collaboration across performing arts organizations may help fuel demand from that sector. Charleston has a strong young professional community that hasn’t yet been fully engaged but that can be effectively tapped.

• If Charleston can’t support a full-time orchestra, then perhaps the region can. There is a collection of smaller orchestras around us. In particular, Hilton Head already benefits directly from having a full-time core of professional orchestral musicians in Charleston. This could be leveraged to create a true regional model that is based in Charleston and serves outlying communities as well. The fact that we haven’t attempted regionalization recently means that it could be an opportunity now if we take a holistic approach.
Opportunities, Cont’d

• The rapid proliferation of alternative organizations as a result of the CSO’s current closure indicates that there is definitive support for professional orchestral music in Charleston.
• With the CSO’s doors closed, we have the opportunity to investigate other models that could serve Charleston and/or the region in a sustainable way.
• Spoleto Festival USA could be expanded beyond the current festival limits to provide additional professional quality performances during the rest of the year.
• Enhanced flexibility and collaboration with Spoleto during the regularly-scheduled festival could create additional work opportunities that would support full-time professional musicians.
• The participants in our community forums indicated a desired for more engagement with musicians in smaller, more intimate environments. Charleston has an abundance of venues that could be leveraged to create these more informal events, and could even include food and wine as part of those more informal gatherings, broadening the experience to create an “entire evening.”
• Many of the supporters of orchestral music come from Kiawah and Seabrook. We have an opportunity to find ways to more effectively tap into that wealth.
• The already pending transition of the existing music director at the CSO creates an opening for “newness” that could be leveraged from a marketing and community outreach perspective. (11/20 Post Hoc Note: We recognize that the community is still grieving from the recent death of Maestro David Stahl. This SWOT was performed in August, 2010, prior to the Maestro’s illness and following a public announcement of plans for the Maestro to become Conductor Laureate.) Likewise, the vacancy at a CEO level at the CSO creates an opening for discussions about different models that may leverage other leaders in the community.
Threats

- The extended recession has significantly impacted revenues for performing arts organizations and will continue to do so for the foreseeable future. The nonprofit sector is the last sector to rebound after a recession and generally lags private sector recovery by as much as 18-24 months.
- Government support for symphony orchestras continues to decline, leaving live full-time performing arts organizations dependent on legacy structures that can now survive only with major corporate or individual donor support.
- Continuing budget cuts are impacting schools and school programs. Children are growing up without music education and with limited or no symphonic experiences. As a result, future generations of “natural” audiences are already dwindling.
- The complexity and diversity of our lives, as well as our increased mobility diminishes audience availability. Our lives are also increasingly more casual, and it is likely that audiences will not be seeking more formal experiences as often.
- The multiplicity of available entertainment options reduces demand for any one form of entertainment. This is especially true when alternatives to live performances, such as CDs, are widely and inexpensively available.
Appendix 7
Steering Committee
Summary of Potential Models for Consideration to Achieve Vision

July, 2010
Content provided directly by the Steering Committee.
Summarized by Laura Deaton, Staff Support for the Committee
Potential Models/Ideas That Were Identified as Models that Could Help The Community Achieve the 2015 Vision

• Nurture four or five resident chamber orchestras and or chamber music groups that periodically come together to perform larger symphonic works.
  – Strengths – Would create a core group of local professional musicians. Allows independence and musician self-governance, and a fair amount of performance flexibility.
  – Weaknesses – Continued fragmentation, lack of collaboration, lack of sustainable infrastructure to support benefits for musicians. Deep participation would likely not be possible as musicians include this role as one part of compensation that is cobbled together.
• Create a year-round course of study for participants in the Spoleto Orchestra that would foster an ongoing presence of young, highly-trained professional musicians who temporarily reside in the community.
  – Strengths – Continuing feeder source of new talent, collaboration with the College, could include educational outreach to schools and help foster a more youthful audience.
  – Weaknesses – Temporary nature of residence would mean that there is no continuity for the local region. Musicians may still be finishing studies and may not be able to take a year-long residence here prior to performing with Spoleto. The Spoleto model may not be flexible enough to accommodate/incorporate year-round work.
Potential Models, Cont’d

• Create and/or merge into a full-time regional/statewide orchestra that would be based in Charleston and would perform within this community as well as throughout the region/state.
  – Strengths – Stable income source, resident professional musicians, deep penetration in this community and surrounding communities.
  – Weaknesses – Sustainability of model, distributed statewide governance and fundraising may be difficult, competition with existing orchestras, willingness of other orchestras to merge when CSO is a weakened state.
Potential Models, Cont’d

- Create a statewide orchestra that would be centrally located and draw resident professional musicians from throughout the state, some of whom would reside and teach in Charleston.
  - Strengths – Could still support a small core of resident professional musicians in Charleston. Could serve the entire state and reach into currently underserved/unserved areas.
  - Weaknesses – Lack of local identity/branding for Charleston. Would result in statewide travel for musicians and less deep penetration locally. Cost of living combined with travel might actually result in an exodus of musicians instead of an influx.
Potential Models – Cont’d

• Create an additional sustainable revenue source that would provide enhanced funding for the existing CSO (accommodations tax, etc).
  – Strengths – Could keep the existing core of professional musicians in Charleston and sustain a full-time orchestra.
  – Weaknesses – Willingness of governmental sources to create a dedicated funding stream may be low. Doesn’t fix the existing lack of trust between labor/management or create the responsiveness and flexibility that the community is seeking.
Potential Models – Cont’d

• A single regional per-service chamber orchestra combined with a year-round series of performances by young, highly-trained international musicians who would not be resident musicians.
  – Strengths – Potential to bring very high quality orchestral music to Charleston. May leverage a very small core of local/regional musicians.
  – Weaknesses – Per-service model only, so no benefits or full-time employment for musicians that would result in deep penetration in the community. Provides chamber orchestral works only, not large symphonic works.
Potential Models, Cont’d

• Increased professional symphonic performances that would be imported to Charleston via existing organizations such as the Charleston Concert Association.
  – Strengths – CCA already has a methodology and mechanism for importing large orchestras into Charleston, so an existing organization could be used to fill the gap left by the CSO.
  – Weaknesses – No resident core is supported, no local identity/branding for Charleston.
Potential Models, Cont’d

• Have Charleston be the “second city” for a professional orchestra from elsewhere like the Cleveland Orchestra does in Miami.
  – Strengths – Could bring high quality orchestra music to Charleston.
  – Weaknesses – No resident core, no local identity/branding for Charleston.