

Orchestras at the Cross Roads

Remarks by Jesse Rosen, President and CEO
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History was made this past March 20th --in an event that signals profound change – positive change – for our industry and the entire music world.

That is when the 101 musicians of the *You Tube Symphony Orchestra* representing 33 countries played to a combined global online audience of more than 33 million people– nearly 3 million on their mobile phones. The concert shattered the previous record of 11 million set by -- a U2 concert. Such an astonishing success clearly shows that when it comes to orchestras, the so-called digital divide CAN be bridged.

But, as we all know, that great event alone is not sufficient to erase the sobering realities in our field today. We all love to celebrate our triumphs, but as we gather here in the Twin Cities..... it is important that we also focus frankly on the state of music in America..., on our industry..., and how it can not only succeed, but also thrive.

The well-publicized reality is that there are increases in deficits, bankruptcies, and closings. I do not relish repeating, but it is important that we all recognize the harsh facts that include:

The average orchestra deficit in 2005 was \$193,000. Just four years later, in 2009, it had skyrocketed to \$697,000.

In 2008, half of orchestras reported deficits; the very next year, 2009, that segment increased to more than two-thirds.

Yes, I am the first to acknowledge that this general downward spiral has been in the midst of the second worst economic collapse in modern world history. But many signs suggest that for orchestras.... this crisis simply accelerated existing, long-term negative trends.

Detroit, Philadelphia, Syracuse, Honolulu, New Mexico, and Louisville, are all examples of organizations with a past history of fragility... dating well before the great recession of 2008. Waiting in the wings are more potentially critical situations..... that have not yet erupted-- but could at any time.

The current problems are not cyclical problems. The recession has merely brought home and exacerbated the long-term structural problems that many orchestras have been facing for some time.

The data clearly show that over the last 25 years, while orchestras were adding concerts and increasing costs, per concert attendance and sales revenue were declining every year.

While it is not comforting, orchestras are not alone in feeling the pain. We are a microcosm of what is happening all over the world. Tremendous global upheavals are leaving virtually every sector challenged to change -- to adapt in order to keep up and stay ahead of the curve. And like with airlines, with newspapers, and health care, moving forward for us does not include the option of going back.

I also note that not all orchestras are hurting. Our smaller budget orchestras tend to be more nimble, a few very large orchestras are weathering the near term challenges, and our youth orchestras, though not immune, operate on an entirely different business model. But the rest -- I am talking here about some in Group 1

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extending well into Group 4 --- are in various stages of challenge and crisis. And on so many levels their situation affects all of us.

It is clear to me ---and I think to most of you--- that our current situation calls for urgent action, for robust innovation and meaningful change. The first step on that path is to look candidly at our real circumstances, or as management guru Jim Collins would say, confront our brutal truths.

We must start by confronting five key facts:

Fact Number One.

Decreasing income and rising costs:

Classical music participation has declined 29% over the past 20 years, and the arts share of all charitable giving has continued downward, now reaching its lowest level since 1998.

Corporate donors in particular have been deserting the arts sector at a dramatic rate. During the same 20-year period, corporate philanthropy declined by 50%!

Meanwhile, orchestra costs have continued to rise faster than revenue. Audiences are moving away from subscriptions, buying at the last minute, and making fewer purchases per household. Our various attempts at greater community engagement have thus far only increased our costs, not our earned revenues.

Fact Two.

Donor fatigue:

National and local institutional funders and individual donors are telling us that they question continued investment in orchestras.

Many foundations have stopped funding orchestras because they are not seeing a return on their philanthropic investment. They are expressing frustration and doubt that the institutions can be sustained without fundamental change.

Fact three.

Our commitment to performance excellence is not enough: Quality at the highest level still matters, but striving for, even achieving, a world-class ranking is no guarantee of a vital and secure future. As the headlines have said in recent weeks, none of our orchestras, theatres or opera companies are too big or too important to fail.

Fact four:

Stagnant product delivery: The YouTube Symphony experience proves there is enormous appetite for our music.

But musicians, managers and conductors are not moving fast enough to meet the public's demand for new forms of the orchestral experience. Meanwhile, most collective bargaining agreements reflect this failure.

They should promote innovation rather than discourage it.

Fact five:

Lack of diversity and broad-based support: Orchestras, as large community supported non-profit institutions, continue to maintain work forces that are ninety-eight percent white --and audiences that also generally lack diversity --despite orchestras' efforts to broaden representation. Yet by 2020, the United States will be 55% non-white.

Collectively, these are daunting concerns.

My job -- our job at the League -- is to not only help us face up to these challenges, but to find creative ways to effectively address these and other challenging realities so we can overcome the obstacles and focus on growth and development....to move from fragility to vitality...to understand that status quo is far more scary than change.

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Andy Warhol put it well when he said, “They always say-- time changes things, but you actually have to change them yourself.”

As I noted earlier, this counter-offensive begins with candor.

Let me take us back to 2005, when I met with leaders of some large budget orchestras to review an early draft of our strategic plan. They were troubled that we referred to “declining audiences.” The objection wasn’t on factual grounds; but that we were preparing to announce it to the world, which is exactly what we did. And when credible new data documenting our audience challenges emerged in 2009, the League made sure that everyone in our field knew about it, understood it, and most importantly, was prepared to take action.

Many of us began to address the findings, and two years later, nobody in orchestras is living in a state of denial regarding audience challenges. Accompanying this new recognition is not only an unprecedented amount of testing of new approaches to audience development, but some successes. So, the lesson learned and practiced here is that acknowledging the problem is an essential precursor to innovation.

Now, let me suggest three things that orchestra leadership teams (managers, boards and musicians) must do that can help crash-proof their orchestras:

First.

Understand and take responsibility for your orchestra’s true financial condition.

Working to balance the budget is simply not enough. Our boards and executive leaders must acknowledge that weak and fragile fiscal infrastructure is crippling orchestras’ ability to deliver on their missions. When all our energy is consumed by eliminating deficits and creating short-term fixes it can be daunting to innovate and change.

Trustees must understand not just the operating budget but all the capitalization requirements, as we will soon hear from Susan Nelson. They must be transparent, and insure that all stakeholders understand the numbers and the implications. And the board must take responsibility for supporting management in making the often-painful decisions that lead to financial health on both the cost and revenue sides.

Naturally, collective bargaining plays a big role here. While there has been a lot of blame directed at one side or another, let us remember that the goal of bargaining is to reach a durable agreement. It is the board’s responsibility to stop short of agreeing to terms it cannot afford. And while it is appropriate and expected that musicians seek to gain as much as they can, it is not reasonable to push boards to accept terms that the organization cannot support.

Governance continuity is key because our boards need to be able to focus as much on the future as on the near term financial position. So it is critical that board chairs stay in place for longer than the one or two-year terms that are typical. I am taking on the term limit debate-- because we have a shared, and long term responsibility to these orchestras we love that goes beyond the limits of our individual terms.

Second priority.

Realign with community needs. Many today are experiencing the tension between a long successful tradition of excellence and quality, and an increasing need to serve a wider cross-section of their communities.

And while community work may not translate directly into higher earned income, sustaining and growing it has never been more important-- as funders and governments make tough choices about how to allocate scarce resources, and challenge the public value that orchestras create.

As our colleague Bruce Coppock succinctly put it, “Telling the community how important and famous you are is very different than inspiring the community to support you because of how invaluable you are.”

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In the new issue of *Symphony* magazine, Milwaukee Symphony principal violist Robert Levine goes so far as to write, "Getting community engagement right will involve orchestras rethinking themselves from top to bottom as cultural service agencies rather than high-end entertainment companies."

That is indeed a big change, but again, it is already happening.

The Bay-Atlantic Symphony, Cleveland Orchestra, Elgin Symphony, Fort Wayne Philharmonic, Longwood Symphony, Pittsburgh Symphony, Reno Chamber Orchestra, and Utah Symphony all are partnering with health care organizations to offer programs and experiences that promote healing through music.

Figuring out how to bridge excellence and cultural service is complicated and time-consuming work. And that is why I would NOT recommend starting the conversation at the bargaining table.

Instead, start with understanding the unique assets of the musicians in your orchestra and the unique needs of your community. These will be different in every instance.

The third priority is to foster creativity. If we are to be a creative form, not just a re-creative one, then we must work to attract creative people, as well as nurture the gifts of those already in our orchestras.

We need to be asking, "*What kind of talent must we include to create the musical experiences that will usher in the next generation of people who passionately want us in their lives?*"

Young entrepreneurial musicians, some of them in our orchestras, are finding a following with audiences and funders by performing in small and often unlikely venues.

They may cross genre boundaries, or simply rethink their approaches to traditional repertoire, but they thrive on intimacy and audience engagement. If we want – and I think we do – this next generation of creative artists involved with our orchestras, our current audition system needs to change to embrace a broader range of talents than just superb musicianship and technique.

We can all take a page out of the collegiate performing arts playbook.

At Stanford, the University of North Carolina, and Dartmouth, to name a few, the concert series are woven tightly into contemporary campus-wide themes established in the humanities and sciences curricula.

Tolerance, the class system in America, and capital punishment are among these themes. Surely our repertoire -- current and still to be written—deserves a place at this exciting and emerging table.

The good news is that here too, change is afoot.

Four orchestras – the Pacific Symphony, Buffalo Philharmonic, North Carolina Symphony and the Louisville Orchestra, have created a multi-year collaboration to integrate humanities themes with their performances.

The project has just been awarded a major grant from the National Endowment for the Humanities --an encouraging reminder that money does follow vision.

And what greater display of vision in our field than the recent Spring for Music festival?

Seven orchestras big and small, one after the other, offering original programs, every seat priced at \$25.

There was only one blockbuster, only one piece written before the 20th century. And people came – lots of them.

Strengthening Fiscal Planning and Infrastructure. Realigning With Community Needs Fostering Creativity

These are three big but necessary tasks. And they cannot be accomplished without everyone's participation. In the same *Symphony* article I mentioned earlier, Robert Levine also points out that "*orchestras are not, and should not be, run primarily for the benefit of musicians. But musicians benefit the most from orchestras succeeding.*"

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He says of the changing climate, “musicians’ only chance to have that change not be to their detriment is to actively participate in designing the changes.” And he encourages them to not wait until the orchestra is already in trouble -- because that is too late.

During my visits with orchestras across the country, I have been privileged to see many instances where musicians and managers work together with mutual respect to solve tough problems.

Rather than pointing fingers at one another, we owe it to our audiences and supporters to try to better understand each other’s positions and develop a path forward before reaching the bargaining table. Failure to do so only creates a lose-lose scenario that none of us can afford.

This is not an easy time to be working in our field. I want to acknowledge that everyone in this room is on a journey that is demanding tremendous courage and sacrifice.

My comments today are not intended to single anyone out, but rather to remind us all that we are at a cross roads as a field, and we all have a critical choice to make.

Will we seize this moment to creatively build a strong future? Or will we continue to cling to the status quo, envisioning the road ahead through a rear-view mirror?

As we answer that question, we must be honest with ourselves and not let ourselves off the hook. Nothing less than the future of our field is at stake, and there is no time to waste. I hope you will agree that now is the time to embrace change and innovation, and create a vibrant future for orchestral music.

The League is here to help. We are keeping these priorities at the forefront of all that we say and do. I pledge that we will work with you in every way we can to support your individual goals. And together we will achieve our shared vision for America’s orchestras. THANK YOU!

As I said, these issues are in the forefront of our thinking and we are starting right now to dig deeper both into the relationship to our community and our financial health.

We’ll hear first from Susan Nelson, principal of TDC, about the findings from her study on the capitalization of Philadelphia’s arts community. Then we will hear from Steve Wolff on his findings from the Columbus arts market. So without further ado, let me turn it over to Susan.