

# National Arts Strategies

*This talk was delivered by NAS President Russell Willis Taylor as the keynote address for the joint annual conferences of Chorus America and The League of American Orchestras in Atlanta, Georgia on 17 June, 2010.*

Good afternoon. It is a decided honor to be asked to address all of you – and I am delighted to be here in such august company.

I have been deliberately provocative in my title, but I mean it quite genuinely. Let's start by looking at the definition of crisis.

## Thank you, Mr. Webster

**Crisis:** **1 a :** the turning point for better or worse in an acute disease **b :** a paroxysmal attack of pain, distress, or disordered function **c :** an emotionally significant event or radical change of status in a person's life <a midlife crisis>  
**2 :** the decisive moment (as in a literary plot)  
**3 a :** an unstable or crucial time or state of affairs in which a decisive change is impending; especially : one with the distinct possibility of a highly undesirable outcome <a financial crisis> **b :** a situation that has reached a critical phase <the environmental crisis>

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And given that this is an erudite crowd, let's go a bit farther.

## Etymology

From Greek *krisis*,  
meaning literally: decision

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So, it's decision time. There is no question that we are facing a turning point and a decisive moment, and what I want to do in the next few minutes is to talk about where I think we have a genuine crisis, and how we got here. And I will then try to redeem myself by talking about where I think we go from here.

By the end of this talk I expect that about 25% of you will be angry with me, 30% will agree with me but not like it, and at least 10% of you will be depressed. I will apologize in advance and ask only that the remaining 35% of the audience sees me to safety when I am done.

We work in the most wonderful of fields: making meaning and making music. But we have built a delivery structure that is clearly, in its current scope, scale and entirety, not sustainable. For the arts generally we are experiencing a crisis of legitimacy, as the outstanding thinker and writer John Holden refers to it, and it has been a long time coming.

Legitimacy is bestowed, or conferred, or awarded; it is not simply appropriated. Some aspects of what we are experiencing are factors beyond our control: changing educational systems, significant shifts in consumer behaviors, an extraordinary period of disintermediation thanks to technological advancement, and a major and historical shift in the centers of wealth creation from the west to the east. There is no question that the outlook is tough.

## The inconvenient truth

- 54% of arts organizations saw increases in demands for services, 64% expect increase for demand in 2010
- In 2009, 37% had an operating deficit
- In 2009, 32% had an operating surplus, 26% expected a surplus in 2010
- 13% have no reserves
- 65% have less than three months cash on hand

*Source: Nonprofit Finance Fund, 2009*

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But none of what we are experiencing is unique. For those of you waiting for the part that will make you cross, here's the start. We are not unique; we are not alone in having to find a new way forward. As just two examples.

## We are not alone

“The chemicals industry is experiencing a mix of denial and excess optimism that has led to paralysis. As a result, strategies and operating models have been slow to evolve.”

Joachim Rotering, Strategy and Business,  
March 2010

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You have to love that phrase “excess optimism.” It’s perfect. I expect a chemist has exactly the right amount of optimism clearly in his or her mind.

## We are not alone

“In this environment, the focus of banks if they are to survive at all will shift from acquiring new customers at all costs to building deeper relationships with existing ones. Additionally, to succeed over the long term, banks must bring down operational costs – by taking a hard look at all distribution costs.”

Paul Hyde and Amit Gupta, S & B, March 2010

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But being out of our control doesn’t mean that these changes were unforeseeable. At the start of my career 30 years ago, I became fascinated with how businesses go out of business. I began to read up on corporate and nonprofit history to form my own version of Belloc’s cautionary tales, and those of you who have read Jim Collins recent book on *How the Mighty Fall* will know the names of some of these businesses – Motorola, A&P, Zenith, to name but a few. My research methodology over the past 30 years would be no threat to Jim, but I was interested in a simple analysis of what *behaviors* rather than characteristics (the latter Jim describes very well in his book) were coincidental with failure. What seeds do we need to sow to script our own Greek tragedy?

So, these jobs are hard, and times are hard, and maybe there is a crisis. Let's just end the madness. In the great tradition of Jonathan Swift and *A Modest Proposal*, here is my formula for how to be absolutely sure you go out of business, quickly and efficiently.

My taxonomy includes internal (to the organization) behaviors and acts, and then externally visible behaviors and attitudes. Starting internally, here's the magic bullet that on a bad day you have all been looking for.

### How to fail in business without really trying

#### Rule Number 1

Keep fixed costs as high as possible, and variable costs as low as you can.

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**This is important. It removes flexibility and makes managing during required periods of contraction very difficult.**

### How to fail in business without really trying

#### Rule 2

Confuse core values with core competencies.

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This one is a bit more nuanced, but with real effort can become so seamlessly integrated into your thinking that you don't even notice. Now, these two things are related and should be congruent in some way, but if you really want to endanger your business you need to conflate them.

For example, the degree of excellence that you want for your individual performances can lead you to decide that the only way to achieve this is to own and control an acoustically perfect performance space. You can then ignore the fact that with a very large and expensive building, in order to be sustainable, one of your predominant core competencies should be competitive retail space management, which suggests that you will use the building for the maximum required financial return even if this means that yours isn't the organization performing for the majority of the nights it's open as a result.

### How to fail in business without really trying

#### Rule 3

Believe that growth only means getting bigger  
and more expensive.

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This one is particularly useful when driving a nonprofit out of business. Growth has additional expense implications in our world: we are inherently loss making. Left to their own devices, our financial positions and our balance sheets will erode even at steady state levels of activity. When we grow without identifying secure balancing income to match growth, we create a larger problem faster. As many have said, if you lose money on every transaction, volume is not your answer.

When thinking about growth, you will want to ignore what Adrian Ellis recently wrote in the Art Newspaper when he noted that “we live increasingly in a virtual age, in an age where the weightless, the mobile, the contingent, the adaptive, the provisional and the collaborative are more compelling than their antonyms.” You will want to focus instead on bigger, heavier, costlier, and more solitary.

If you aren't careful, growth can mean growth in numbers of people served, growth in impact, growth in artistic excellence. But narrowing the definition is helpful if you want to leave the field.

## How to fail in business without really trying

### Rule 4

Never make empirical decisions. Ignore data.

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The easiest way to achieve this is to not have any data. Don't look at consumer trends, or educational figures that give you a glimpse of your future audiences, or demographic data that might influence your programming or communications. But if you are saddled with inconvenient facts and numbers and analysis, you need to perfect the art of not using it for decision making if it says something you don't like.

Skip over articles that at first glance appear to have little to do with our field, because the second glance may make them more relevant. The May 20<sup>th</sup>, 2010 reference in the Journal of Advertising Research that points out that our social values have changed dramatically over the past three decades, with self-respect surging in importance while an imperative sense of belonging and assimilation has become far less important than ever should not raise the question for you of how we promote group experiences to a society that values them less than their own opinion. You will use valuable energy to no good aim when you spend time considering what we can do to reverse this trend for the benefit of civil society generally.

You need to ignore work like that of Dr. Libby Larson, who spoke at Chorus Americas annual conference a few years back and demonstrated the link between transportation advances, mobility, and our involvement with music in all its forms. This irritatingly insightful research would only make you ponder further - as many of you no doubt already do - tiresome decisions about the broader social context for how we deliver concerts and performances. That every aspect of American life since our founding – from work to politics to wealth creation to

religion to entertainment – is defined by our modes of transportation and by our unique and solitary mobility as a society should be of no concern to you.

## How to fail in business without really trying

### Rule 5

Create more value for employees than customers.

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Now I want to be clear about what I mean here. First, I mean all employees, not one particular group. Also, I am not suggesting that we bring back indentured servitude, or that your people are not your most important resource. I am not suggesting that you mistreat, or underpay, or exploit. You can go out of business just as fast and with more justice for being a terrible employer than you can by being unrealistic about how and what you can pay people. And not investing in the wellbeing and ongoing development of all employees is just bad business. But, if you create more value for your employees than for your customers your financial structure will need to take into account that you are not creating sufficient value for financial and participation reward from the market, and you should limit the scope of your work accordingly. Or not, if you want to accelerate the process of exiting the field.

## How to fail in business without really trying

### Rule 6

Fear new technologies of all kinds.

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**This is an ancient art. Socrates deplored writing because it would weaken the memories of young people. You would do well to embrace this concern:**

The modern world overwhelms people with data and this overabundance is both "confusing and harmful" to the mind.

Conrad Gessner  
Swiss scientist

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**Any of you who have ever heard Andrew Taylor speak or who read *Slate* know that Conrad Gessner died in 1565, and he was writing about the advent of the Guttenberg printing press.**

**For our own times, ignoring the tectonic shift that technology has provided in the form of portable, self-curated culture will go a long way to accelerating your exit, stage left. This is a major sociological change we are experiencing, not the age of gadgets. Clay Shirkey reminds us that the commonplace nature of technology today means that a great deal of our institutional advantage has been eroded – individuals have the tools to organize, make art, participate in art, find art**



without our help. The technology options of today have created a world of “continuous partial attention” in the words of Linda Stone, a leading thinker on attention, health and technology. Being disciplined about not thinking what this epidemic of continuous partial attention might mean as we present long form artistic work is helpful in our quest to wind down these businesses.

So fearing technology can give you a double benefit – you can diminish the actual role and position of your organization relative to your market and not know that you did until it’s too late. And -- you can say you are just being Socratic while you do it.

### How to fail in business without really trying

#### Rule 7

Pretend that liquidity doesn’t matter – a lot.

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This one is tried and true. In addition to running out of cash if you have no reserves for a peaks and troughs business, not managing liquidity is a great way to sap your energy as a leader and innovator and draw your attention away from how you are creating value and maintaining standards. It’s a real winner for closing you down.

Now let’s move quickly to the external behaviors that you need to embrace.

## How to fail in business without really trying

### Rule 8

Blame your customer.

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**This is one of my favorites. By believing that your customer isn't smart enough, patient enough, interested enough, educated enough, or even in extreme cases grateful enough, you can shrink your market. All of these things may be true, but markets don't care.**

## How to fail in business without really trying

### Rule 9

Pursue transactions rather than relationships.

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**By this measure I greatly fear that organizations such as St. Paul Chamber Orchestra, VocalEssence, Memphis Symphony and many, many more of you in this room may be in business for a long time. You should stop this strategic development of enriching relationships and go for short term gain.**

## How to fail in business without really trying

### Rule 10

Compete rather than collaborate.

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**This is really useful for resource strained organizations. Competing uses up more of your unique resource than collaborating over long periods of time with like minded organizations who may provide a complimentary value in the market. Avoid collaboration at all costs.**

## How to fail in business without really trying

### Rule 11

Ignore the global pro-am revolution.

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**This is Charles Leadbetter's term for the fundamental shift in cultural consumption over the past two decades. Bill Ivey and Steven Tepper have written very compellingly about it under the rubric of participation, and there is a lot of writing out there on the topic of how a world that embraces voting people off the island, virtual activity games, and active retirement is not as passive as audiences may have been in times gone by. Ignore this literature.**

**And finally:**

## How to fail in business without really trying

### Rule 12

Don't accept that uncertainty is the  
price of innovation.

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If you feel pretty comfortable and generally ticking along with business as usual, then you are probably not being particularly innovative and are making progress toward closure. Innovation does not mean that you reinvent or create something new every 10 minutes. It means that you are able to actually incorporate new ideas into your business practice, at levels small and large, and you should avoid this type of activity if you can.

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Now, what if you decided you didn't want to go away? Because I suspect that most of you really don't and that you have no intention of taking my Swiftian advice. I suspect that many of you believe that in a world that any of us want to live in, not all value is created in markets and that we in the arts actually have an essential role to play in advancing society and developing economies of meaning rather than just economies of money?

What if, after hearing all of this, you are still determined to find a way to move out of crisis thinking and get down to the serious work of imagining the future as a place where your work matters because you are planting the seeds of future audiences in kindergartens everywhere? If you have already accepted the hard fact that the public school system is no longer involved in audience development work for the arts and that you will need to reach into the schools and the after school programs and the park services and anywhere else that there is a silence you can fill with music because you plan to build institutions of value for the next generation and the next and the next?

What if you decide that you want to live in a world where this gentleman is dead wrong – and that it may take a generation but that you are going to make sure we get there?



You can charge less than a NASCAR grandstand seat for an opera premiere and it won't much alter the demographic profile of either spectacle.

Mark Kingswell, Harpers, November 2009

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And what if you decide that this gentleman is right?



The ultimate test of your organization is whether it has a life beyond you.

Jon Washburn  
Founder, Vancouver Chamber Choir

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**What if you already embrace the idea that arts organizations can no longer just be about something, they have to be for somebody – a lot of “somebodies,” and that you are going to make your organization an indispensable part of your community -- even if it means that you have to take the component pieces of it and rearrange them and refit them and redefine them until you are indivisible from how your community sees itself and celebrates itself?**

**What if you already know that building communities is part of our work, and that a community is not just an audience – a community talks back and it criticizes and it challenges and it changes and it reshapes our organizations to fit its needs or it walks away if we won't listen?**

And what if you each and collectively have decided that our most enduring and pervasive legitimacy in the arts will come from the creation of relationships, not just the amassing of audiences? If you have decided that despite the fact that this is all hard work it is the most important work you can be doing – that the need for beauty and reflection and coming together to experience music, and finding joy in music when we are alone will never go away, and if the institutions we have built don't meet that need then we just have to rebuild them?

What if despite the economic and societal uncertainties we face right now, you have decided that CS Lewis was right when he told his students on the eve of World War II

Human life has always been lived on the edge of a precipice. Human culture has always had to exist under the shadow of something infinitely more important than itself. If men had postponed the search for knowledge and beauty until they were secure the search would never have begun.

C.S. Lewis

Learning in War Time, Oxford lecture, 1939

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Well, if you can choose these paths in this time of crisis -- as the Greeks understood the word *krisis* -- if you can make this a time of tough but intelligent decisions rather than a time of feeling victimized by circumstance and buffeted by ill fortune, then I am very much afraid that your organizations are going to be around in American life for a very, very long time. Maybe even – in one form or another -- forever.

Thank you.

RYWT

***NB: Many people over the past decade have informed and shaped my thinking, not least the extraordinary team of people at National Arts Strategies. I have tried to acknowledge any original thoughts of others in the text above, but want to thank and apologize to anyone I may have omitted.***