



Key Findings from “Managing the Creative – Engaging New Audiences: A Dialogue Between For-Profit and Nonprofit Leaders in the Arts and Creative Sectors”

In June 2004, the Getty Leadership Institute and National Arts Strategies brought together twenty-three leaders from the nonprofit arts and the for-profit creative sectors to discuss the similarities, differences, and potential intersections between the sectors. Our discussion was guided by the fundamental question, “Are there truly two separate creative sectors in the United States – a nonprofit arts sector and a for-profit entertainment sector – or is it more useful to consider one, national creative sector?” This is an especially compelling question to consider today, as both for-profit and nonprofit creative organizations search for ways to create the “elbow room” needed to take creative risks that renew both profits and artistic quality. The United States is in a period of tremendous cultural and policy change, some of which made our participants question whether 501(c)(3) nonprofit organizations as we know them today will exist in ten years. This convening was a first step towards greater collaboration across the two sectors to help ensure the most vibrant creative culture and continued financial success.

There are long-standing “myths” in both the for-profit and nonprofit creative sectors which suggest there isn’t one creative sector. One is that nonprofit arts organizations produce “high art” while for-profits produce mass-market entertainment. Another myth is that nonprofits are poorly managed and inefficient, and therefore do not make good partners. However, the myths are quickly dispelled upon examination. High-quality creative content comes from the for-profit sector as well, including the for-profit independent film industry, the for-profit fine art market, and the for-profit publishing industry. At the same time, financially-driven, mass-market entertainment comes from nonprofits, such as blockbuster Impressionist exhibitions and the annual presentations of the Nutcracker. As for the expertise of nonprofit management, talented leaders and managers exist in both sectors, and there is more and more movement of leaders between the two sectors in operating, creative, and board roles. The knowledge and experience of management is comparable in similar size for-profit and nonprofit organizations.

When the myths are put aside, there is a solid foundation for collaboration across for-profit and nonprofit organizations based on their shared business of producing creative products, their shared audiences, and their shared economic, labor, and policy environments. True challenges for collaboration come from differences in primary objective, size of the organizations, production and distribution economics for each discipline, and legal constraints on nonprofit organizations. One-to-one collaborations are already forming successfully across the two sectors in a range of disciplines, including the performing arts and museums. These successful partnerships are based on a clear understanding of the objectives, capabilities, and assets each organization brings to the creation and distribution of creative content. In some ways, collaboration between for-profit and nonprofit organizations can be easier than collaboration within the nonprofit sector itself: the nonprofit sector lacks some of the mechanisms for and tradition of mergers, acquisitions, and joint ventures found in the for-profit sector. Collaborations,



whether within one sector or across the two, carry a very real risk of increased bureaucracy that can distance decision makers from the creative work itself. However, finding solutions to this and other challenges holds the promise of new creative combinations and significant economies of scope and scale.

Managing creativity is fundamentally the same challenge in both sectors, and is one area where greater interaction and communication could benefit the overall sector. Both for-profit and nonprofit organizations must predict audience interests, finance new development, overcome environmental threats to creative freedom, find ways to get the most from their creative teams, and minimize the risk of producing a low-quality product along the way. For-profit organizations focus externally on audience interests and needs to select projects, while nonprofits often focus more on the artist (or curator) and an internal process of creation. However, once a project is selected, both can use the same processes for managing creativity. Some examples of management practices that can readily be shared include the periodic forecasting of audience interests using a diverse team of experts, the setting of production budgets based on price and expected revenue, and the insulation of creative teams so they can focus and work freely within the set budget. No matter how well creativity is managed internally, however, external “choke points” are a big threat to creativity for both for-profit and nonprofit organizations. For-profit organizations face powerful distribution channels, such as Clear Channel, the big-box retailers (Wal-Mart, Target, and Kmart), and cable companies, that decide what content to carry and in effect determine what content will be created. Non-profit organizations don’t face these distribution challenges, but the program interests of funders and one-size-fits-all measurement create “choke points” for nonprofit creativity. These external choke points are a critical issue for the creative sector, without a clear solution.

Marketing challenges are once again fundamentally the same for both nonprofit and for-profit organizations. Both need to understand audiences, create new audiences for new creative content, and find cost-effective ways to communicate with audiences. While an organization’s size and financial resources determine the market research, branding, and communications options available to the organization, the same options are available to for-profit and nonprofit organizations of the same size. There are some differences in marketing opportunities. For example, nonprofit organizations often have opportunities to brand the institution itself, based on their sustained relationships with audiences and communities, that most for-profit producers, publishers, and presenters do not have. A critical, shared concern is the way market research can distort the creative process. A focus simply on what is selling today or where audiences are going today can lead to imitation of successful products rather than the creation of innovative content; a subtle, deeper exploration of audience interests and motivations is needed to spark truly creative responses. Both for-profit and nonprofit organizations can benefit from sharing market research and communication techniques as part of a single creative sector.

In addition to sharing these operating interests, the nonprofit and for-profit creative sectors share policy interests as well. Historically, the for-profit sector has been more



attentive to critical national policy issues such as copyright law, FCC regulations, and telecommunications laws which affect the creative environment in the United States, while the nonprofit sector has focused a large portion of its energy on the single issue of funding through the NEA. Collaboration on a broader set of policy issues is possible but challenging. First, the for-profit creative industry is dominated by six multinational media companies, making it an obvious and focused presence in national policy conversations. For the nonprofit sector to join this table, it first needs a more coordinated and focused voice representing the roughly \$23 billion sector (the entire nonprofit arts sector is roughly the size of one of the leading media companies). Copyright law and fair use are one area where greater collaboration between the two sectors could be beneficial, helping protect the profits of copyright holders while still allowing creative and education use of the material. As more and more of our creative heritage falls under corporate stewardship, and for-profit organizations assert and extend copyright protections, greater collaboration can benefit both sectors by fostering the most creative environment possible.

Many of the for-profit and nonprofit leaders who participated in this seminar are already leading operational and policy collaborations across these two historically distinct sectors. We hope this session's exploration of "a single creative sector," the examples provided by these leaders, and the follow-on discussions they generate in their disciplines will spark more experimentation and more opportunities for growth.

Jim Rosenberg
NAS Senior Adviser



Participant List

Dr. Alberta Arthurs

Mr. Jeffrey Berg

Chairman and Chief Executive Officer
International Creative Management

Mr. Barry Braverman

Senior Vice President, Executive
Producer
Walt Disney Imagineering

Mr. Ben Cameron

Executive Director
Theatre Communications Group

Dr. Richard Caves

Nathaniel Ropes Professor of Political
Economy, Emeritus
Department of Economics, Harvard
University

Dr. Michael P. Conforti

Director
Sterling and Francine Clark Art Institute

Mr. Adrian Ellis

Managing Consultant
AEA Consulting

Mr. David Hawkanson

Executive Director
Steppenwolf Theatre Company

Mr. Bill Ivey

Harvie Branscomb Distinguished
Visiting Scholar and Director,
Curb Center for Art, Enterprise and
Public Policy,
Vanderbilt University

Emlyn H. Koster, Ph.D.

President and CEO
Liberty Science Center

Mr. Scott Mallwitz

Director, Experience Design
The Henry Ford

Dr. Deborah Marrow

Director
The Getty Grant Program
Dean for External Relations

Mr. Douglas McLennan

Editor in Chief
ArtsJournal

Dr. Barry Munitz

President and CEO
The J. Paul Getty Trust

Mr. Philip M. Nowlen

Head
The Getty Leadership Institute

Mr. Mark Resnick

Executive Vice President, Business
Affairs
Twentieth Century Fox Film Corp

Mr. Ned Rifkin

Under Secretary for Art
Smithsonian Institute
Director, Hirshhorn Museum and
Sculpture Garden

Rt. Hon. Chris Smith MP

Director
The Clore Leadership Programme

Dr. James Allen Smith

Senior Advisor to the President
J. Paul Getty Trust



The Getty Leadership Institute

National *Arts* Strategies

Mr. Jeremy Strick

Director, Los Angeles Museum of
Contemporary Art

Mr. Andrew Taylor

Director
Bolz Center for Arts Administration,
University of Wisconsin

Mrs. Russell Willis Taylor

President and CEO
National Arts Strategies

Dr. Gary Vikan

Director
The Walters Art Museum