
*The Financial Condition of
Symphony Orchestras*

Part I - The Orchestra Industry

June 1992

*Research and Report Prepared by
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Introduction

This report is the initial product in a major and ongoing research project commissioned by the American Symphony Orchestra League. The purpose of the research is to arrive at a better understanding of the orchestra industry and to help the field plan for its future.

This first phase of the research has focussed on the League's own data, a rich storehouse of information that goes back several decades. The focus of the examination has been primarily on the financial activity of symphony orchestras and concentrates on trends over the last 25 years (from 1966), a period of substantive change in the industry.

It is widely believed that the mid-1960's was a critical moment in the history of the orchestra field. City officials began to recognize the strategic importance of orchestras, players started working under 52-week labor agreements, a federal agency was created in the United States that provided support for the arts (and a network of state arts agencies was created at the same moment), and private philanthropy for the arts began to expand at a rate far greater than at any time in history. The 25-year period that followed was a tumultuous one in the history of symphony orchestras, and this report attempts to capture some of that history in a factual and statistical way.

The research, conducted by The Wolf Organization, Inc. of Cambridge, Massachusetts, is summarized in three parts, which are bound separately.

- Part I — “The Orchestra Industry” presents a 25-year overview of the industry in the United States from 1966 through 1991 and provides selected comparisons with other performing arts industries.
- Part II — “Specific Orchestra Group Profiles and Trends” gives more in-depth statistics both graphically and in table form with different categories of U.S. orchestras both for past years and for the future. Part II also provides a description of methodology together with definitions of variables. In this section, the method for making financial projections through the year 2000 is described in some detail (the method is based on a simple linear regression using data from 1986 to 1991); the limits of trying to predict the future based on such a simple type of analysis is also outlined.
- Part III — “Data Tables” offers raw data from the study. It includes totals and averages for each item in each year, a table of percent changes for totals and averages, as well as Consumer Price Index adjustments. It also includes information on Canadian orchestras. In order that Part III may be used as a separate volume the description of methodology and the definitions are again included.

For those interested in purchasing copies of any part of this report, contact the American Symphony Orchestra League, 777 14th Street, NW, Washington, DC 20005; (202) 628-0099.

The American Symphony Orchestra League is grateful to the Andrew W. Mellon Foundation and the National Endowment for the Arts for recognizing the importance of this work and providing generous funding to carry it out. It is hoped that their leadership and foresight will encourage many more projects of this scope that allow in-depth analysis of critical issues in the symphony orchestra field.

Overview

Summary of Findings

The orchestra industry is in financial crisis.

- The crisis is reflected in an annual industry deficit that has increased from \$2.8 million in 1971 to \$23.2 million in 1991.
- Even when adjusted for inflation, this annual shortfall of revenues over expenses reflects a 150% increase over the past two decades.
- Given industry financial trends since 1986, the annual orchestra deficit will exceed \$60 million by the year 2000.

Symphony orchestras have had little success in keeping expenses under control.

- For the industry, expenses have increased from \$87.5 million in 1971 to \$698.9 million in 1991.
- Artistic personnel expenses — which now account for over 50% of all expenses — have increased at about the same rate as expenses overall.
 - For the 20 largest orchestras, wage growth stayed roughly 6% ahead of inflation since 1986 while wage growth lagged behind inflation in smaller orchestras.

Marketing and fund-raising expenses were the fastest growing expense lines in orchestras overall. In the last five years, while total expenses increased 42%:

- Fund-raising costs increased 52%.
- Marketing costs increased 57%.

The authors observe that in an industry where the number of services is not determined by audience demand but by labor requirements, *the marginal cost of selling more tickets and raising more money may be approaching a point of significantly diminishing returns.*

On a positive note, the industry has made productivity gains in the last ten years.

- Orchestras now serve roughly 1,500 people per performance, up from 1,200 a decade before.
- Orchestras represent the only performing arts discipline that registered increases in the percent of budget earned between 1985 and 1990.
 - Dance, Theatre, and Opera all showed declines in the percent of budget earned since 1985.

It now costs an average of \$26.17 for every audience member served by the orchestra industry (up from \$5.00 in 1971).

- The income gap per audience member is \$15.91 (up from \$2.78 in 1971).
- Audience members as a group pay for only 39% of the costs of the services provided to them.
- Few in the industry believe the problem of the income gap per audience member can be substantially addressed through increases in ticket prices.

Private sector fund-raising gains have been substantial since 1970.

- Private sector giving to orchestras rose an inflation adjusted 139% over the twenty-year period from 1970 to 1990.
- However, *orchestras' share of the philanthropic arts dollar has decreased by almost a third during these two decades.*

After substantial increases in public sector funding, tax-based support has actually declined since 1986.

- Since 1986, there has been a 4.3% decline in public sector giving after adjusting for inflation.
- If these trends continue, orchestras can not expect more than 8% of their revenues to come from governmental sources by the year 2000.
- Given recent threats to public arts funding mounted in the United States Congress, in state legislatures, and in city councils, *orchestras may receive substantially less than 8% of revenues from public sources by the end of the decade.*

Total orchestra endowments reached \$876.5 million for the orchestra industry in 1991.

- This figure for the orchestra industry as a whole is smaller than the individual endowments of several major universities.
- Orchestra endowments have grown from \$512.2 million to \$876.5 million (representing an inflation adjusted growth of 37.7%) in the past five years.
- Much of the growth was undoubtedly fueled by a strong stock market and is therefore vulnerable to stock market declines.
- Assuming that endowment growth continues at the current rate, total endowment assets will be \$1.4 billion by the year 2000.

- However, given massive projected deficits, it is probable that *much of the potential growth in endowment will be eroded by transfers to cover operating shortfalls.*

Comments and Observations

During the last five decades, many people have urged the orchestra industry to find ways to meet growing financial challenges.

- In the 1940's, experts recommended that orchestras make a concerted effort to increase earned income. Orchestras successfully did so.
- In the ensuing decades, several grantmakers focussed on stabilization and challenge grants to help build endowments and increase investment income. These grants have been successful in increasing the size of orchestra endowments although they have not stemmed the growth in deficits.
- A 1972 McKinsey and Company study advocated a subsidy from government sources that might cover approximately 25% of orchestra expenses as a strategy to address the financial problems of the industry. This high level of public subsidy never materialized.
- Others have advocated different financial strategies with varying degrees of success.

The authors of this study conclude that:

- Many financial approaches have been tried over the past 50 years to improve the financial condition of orchestras.
- Yet, the industry as a whole appears to be in the worst financial shape it has ever been in by several objective measures.
- Unless changes are made in the way orchestras do business — changes that are substantial and systemic — the future health of the orchestra industry is in serious jeopardy.

Part I

The Orchestra Industry

Statistics on the Industry as a Whole

According to the American Symphony Orchestra League, there are roughly 1,600 orchestras in the United States. When one excludes those that are youth orchestras, those affiliated with colleges or universities, or those whose annual expenditures are less than \$100,000, there are approximately 400. This report focusses on 254 orchestras that we call "the orchestra industry" and that encompass overwhelmingly the financial activity of the orchestra field.

Performances and Admissions

As indicated in Table 1 on the following page, in 1991 the orchestra industry as a whole:

- produced 18,100 performances of all types including full orchestral concerts and smaller ensemble presentations
- registered 26.7 million admissions to its events at home and out-of-town.

In 1991, there was an average of approximately 1,480 people per performance.

**Table 1: A Profile of U.S. Orchestras
Performance and Attendance Characteristics
1971 - 1991**

	<i>1971 (000's)</i>	<i>1981 (000's)</i>	<i>1986 (000's)</i>	<i>1991 (000's)</i>	<i>% Change 1971-1991</i>	<i>% Change 1986-1991</i>
Total Performances	13.0	20.1	20.1	18.1	39.2%	-10.0%
Total Attendance	17,500	23,400	25,428	26,710	52.6%	5.0%

Source: All data are from the American Symphony Orchestra League. Data for 1986-1991 are based on adjusted industry totals reported by 254 orchestras.

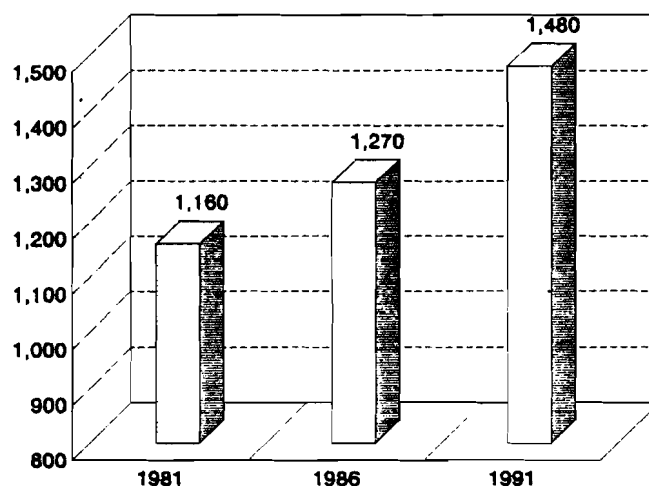
Since 1971:

- attendance figures have risen 52.6%, from 17.5 million to 26.7 million
- the number of performances (18,100) has increased by 39.2% (from 13,000).

But in the last ten years, the trends tell a slightly different story. While there has been a continued growth in attendance since 1981, there has been a *decrease* in the number of performances (with the drop coming entirely in the last five years). Specifically, from 1986 to 1991:

- attendance figures have risen 5%, from 25.4 million to 26.7 million, though the rate of growth has clearly slowed
- the number of performances (18,100) has *decreased* by 10% (from 20,100).

Changes in per-performance attendance: As the above numbers show, and as indicated in Figure 1 on the following page, attendance-per-performance has increased by approximately 300 people in the

Figure 1: Average Attendance at Orchestral Events

last ten years. There are many possible explanations for this trend including:

- more effective marketing
- changes in the mix of performance types.

Evidence that changes in the mix of performance types might be a possible factor influencing increased per-performance attendance is provided by data in Part II of this report about increases in pops concerts and attendance. For example, for the 20 largest orchestras grouped together for analysis purposes, the number of pops concerts increased from 7% of all performances to 12% of all performances on average from 1984 to 1991. A majority of orchestras also reported increases in pops series attendance.

Attendance impact on earned income: The increased per-performance attendance figures appear to have had a beneficial effect on the financial condition of orchestras by providing gains in earned income as a percent of total revenue. Indeed, as an industry, symphony orchestras have performed better than other performing arts

**Table 2: Distribution of Income Sources for Symphony
Orchestras, Theatre Companies, Opera Companies,
and Dance Companies**
(Percent of Total Revenues)

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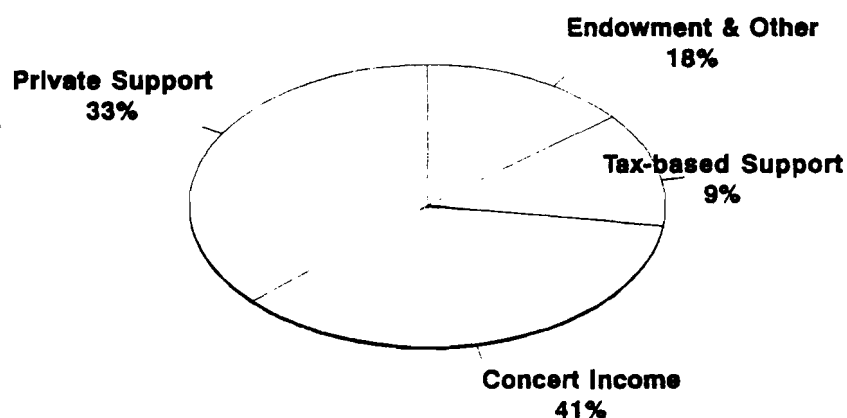
groups in *earning* a larger portion of their income since 1985. In this connection, Table 2 on the previous page indicates that:

- As a percentage of total revenue, symphony orchestras showed a modest *gain* in earned income (from 58% to 60%) between 1985 and 1990.
- Dance companies showed a steep *decline* in earned income as a percent of total budget (from 63% to 55%), though part of this decline may be accounted for by the reduction in income from touring activity.
- Theatre companies also showed a modest *decline* in earned income as a percent of total budget (from 63% to 61%).
- Opera companies also registered a modest *decline* in earned income as a percent of total budget (from 55% to 53%).

Revenues

Overall Revenue: As is generally acknowledged, the last two decades have seen an extraordinary growth in the orchestra industry. This is certainly reflected in orchestra revenues. In 1991, the orchestra industry recorded total revenues including concert income, contribu-

Figure 2: Breakdown of Revenue for 1991



**Table 3: A Profile of U.S. Orchestras
Revenue Characteristics of the Industry
1971 - 1991**

	<i>1971 (millions)</i>	<i>1981 (millions)</i>	<i>1991 (millions)</i>	<i>% Change 1971-1991</i>	<i>Real % Change 1971-91*</i>
<i>Total Revenues</i>	84.7	294.8	675.7	697.8%	137.3%

1986 - 2000

	<i>1986 (millions)</i>	<i>1991 (millions)</i>	<i>% Change 1986-91</i>	<i>Real % Change 1986-91*</i>	<i>1996 (millions)</i>	<i>2000 (millions)</i>
<i>Total Concert Income</i>	184.5	274.0	48.5%	19.5%	342.9	408.0
<i>Total Tax- Supported Grants and Allocations</i>	49.0	58.3	19.0%	-4.3%	64.6	71.6
<i>Total Private Contributed Support</i>	153.8	222.9	44.9%	16.6%	263.5	307.4
<i>All Other Rev.</i>	96.6	120.5	24.7%	0.4%	143.2	159.5
<i>Total Revenues</i>	483.9	675.7	39.6%	12.4%	814.2	946.5

*After adjustment using the Consumer Price Index.

Subtotals may not add to totals due to rounding.

Source: Numbers are adjusted for the industry based on data reported to the American Symphony Orchestra League by 254 orchestras. Projections for 1996 and 2000 are based on a simple linear regression on the unadjusted totals from 1986-1991 Comparative Statistical Report data.

**Table 4: Private Giving to Symphony Orchestras
as a Percent of Total Private Philanthropy**

	1970	1975	1980	1985	1990	% Change 1970- 1990	Real % Change 1970- 1990*
<i>Total Private Giving (billions)</i>	21.02	28.61	48.73	80.07	122.57	483.1%	73.1%
<i>Total Private Giving to Arts, Culture, and Humanities (billions)</i>	0.663	1.56	3.15	5.08	7.89	1090.0%	253.3%
<i>Above as % of Total Giving</i>	3.2%	5.5%	6.5%	6.3%	6.4%	100.0% (a)	
<i>Total Private Giving to Symphony Orchestras (millions)</i>	25.1	34.8	71.7	145.9	202.0	704.8%	138.9%
<i>Above as % of Total Giving to Arts, Culture and Humanities</i>	3.8%	2.2%	2.3%	2.9%	2.6%	-31.6% (b)	

* After adjustment using the Consumer Price Index.

(a) Calculated as percent change between 3.2% and 6.4%.

(b) Calculated as percent change between 3.8% and 2.6%.

Source: 1970-1980 Comparative Statistical Reports data as reported by the American Symphony Orchestra League; 1985-1990 Comparative Statistical Reports data as adjusted by the Wolf Organization, Inc. Total giving figures from Giving USA, 1991, *AAFRC Trust for Philanthropy, Inc.*

tions for operations and programs, and income from endowment and other investments of \$676 million dollars. (See Figure 2 on page 5 for a percentage breakdown of these revenues.)

- The inflation adjusted real growth of revenue over the past two decades was 137% (from \$84.7 million of revenue recorded in 1971).
- When adjusted for inflation, total revenues of \$676 million in 1991 represented a 12.4% increase from the 1986 figure of \$484 million. (See Table 3 on the previous page).

Private Sector Giving: Private sector giving to orchestras rose to \$223 million in 1991:

- Private sector giving accounted for approximately one third of total revenues.
- The growth rate in private sector giving since 1986 (which at that time was \$154 million) was an inflation adjusted 16.6%. This exceeded the growth rate for revenues as a whole, which was 12.4%.

Giving Patterns: Although these private sector giving trends appear favorable, it should be noted that increased competition and changing priorities in the private sector have affected giving patterns to orchestras and will probably continue to do so. As Table 4 on the following page indicates, during the twenty year period from 1970 to 1990, real growth in private sector giving to the arts increased by more than 250% while real growth in giving to orchestras increased by only 139%. Thus, as a percentage of total giving to the arts, private contributions to orchestras actually declined by almost a third, as indicated in Figure 3 on page 9.

As an example of this trend, Table 2 on page 4 shows that as a percentage of overall revenues, private sector giving to orchestras represented a slightly declining share (33% versus 32%) while for dance companies, private sector giving went from 29% of total organizational revenues to 37%.

**Table 4: Private Giving to Symphony Orchestras
as a Percent of Total Private Philanthropy**

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* After adjustment using the Consumer Price Index.

(a) Calculated as percent change between 3.2% and 6.4%.

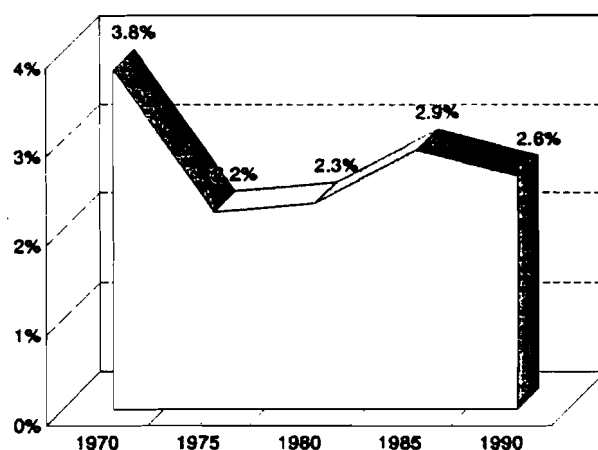
(b) Calculated as percent change between 3.8% and 2.6%.

Source: 1970-1980 Comparative Statistical Reports data as reported by the American Symphony Orchestra League; 1985-1990 Comparative Statistical Reports data as adjusted by the Wolf Organization, Inc. Total giving figures from Giving USA, 1991, AAFRC Trust for Philanthropy, Inc.

There are many explanations for why orchestras are receiving a declining share of the private sector philanthropic arts dollar:

- The sheer number of arts organizations competing for funds has grown significantly.
- Fund-raising operations within other arts organizations have begun to approach the sophistication level of fund-raising within orchestras.
- There appears to be a growing concern among some funders that non-European-based art forms must receive increased support since they are reflective of an ever increasing multi-cultural society.

Figure 3: Orchestras' Share of Philanthropic Arts Dollar



It is probably important for the orchestra industry to take into account its declining share of private sector arts funding. Given current trends, it is unlikely that the rate of increase in private sector giving to the arts (253% over twenty years after adjustment for inflation) can continue to offset a decline in orchestras' share of the philanthropic arts dollar.

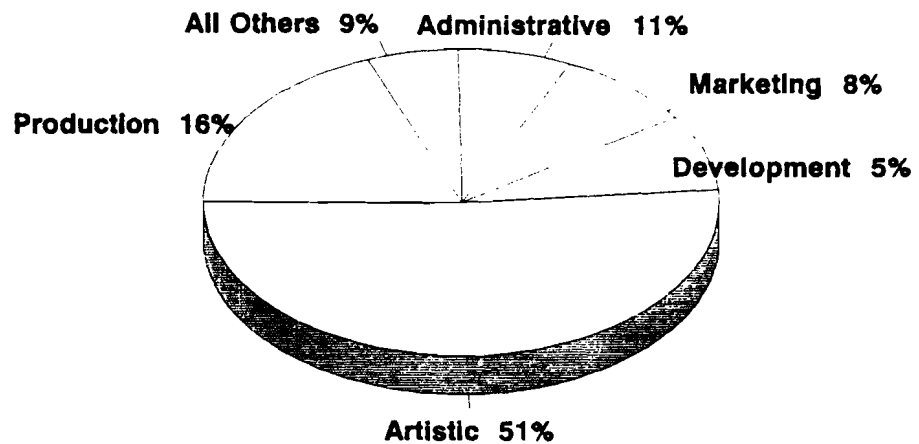
Public Sector Giving: Of equal concern are trends in tax-based giving which lagged during the period from 1986 through 1991. The orchestra industry was forced to respond to severely increased competition for a limited pool of public dollars as well as changing priorities among city, state and federal funding sources. During the five-year period from 1986 until 1991, tax-based support for symphony orchestras — when adjusted for inflation — actually *fell* by more than 4% (though the absolute dollar support showed an increase from \$49 million to \$58 million).

Given the trends, public sector support will account for a smaller and smaller proportion of total support and will decline to 7.6% in the year 2000. Since many public funding agencies may not be able to sustain their own growth over the balance of the decade, the decline could be even more severe.

Expenses and Deficits

Overall Expenses: It is well documented that expenses for the orchestra industry have increased significantly over the past two decades. In 1991, the orchestra industry recorded total expenses of

Figure 4: Breakdown of Expenses for 1991



**Table 5: A Profile of U.S. Orchestras
Expense and Deficit Characteristics of the Industry
1971 - 1991**

	<i>1971 (millions)</i>	<i>1981 (millions)</i>	<i>1991 (millions)</i>	<i>% Change 1971-1991</i>	<i>Real % Change 1971-91*</i>
<i>Total Expenses</i>	87.5	295.2	698.9	698.7%	137.5%
<i>Total End-of-Yr. Surplus (Deficit)</i>	(2.8)	(0.4)	(23.2)	728.6%	146.4%

1986 - 2000

	<i>1986 (millions)</i>	<i>1991 (millions)</i>	<i>% Change 1986-91</i>	<i>Real % Change 1986-91*</i>	<i>1996 (millions)</i>	<i>2000 (millions)</i>
<i>Total Artistic Personnel Exp.</i>	253.4	355.8	40.4%	13.0	433.0	507.9
<i>Total Concert Production Exp.</i>	71.4	110.3	54.5%	24.3	141.8	170.6
<i>General & Administrative Exp.</i>	56.2	75.6	34.5%	8.2	90.3	104.8
<i>Advertising, Promotion, & Marketing Exp.</i>	36.6	57.3	56.6%	26.0	73.4	88.9
<i>Development & Fundraising Exp</i>	24.2	36.7	51.7%	22.0	46.7	56.6
<i>All Other Exp.</i>	52.1	63.2	21.3%	(2.4)	74.8	81.8
<i>Total Expenses</i>	493.9	698.9	41.5%	13.9	860.0	1,010.6
<i>Total End-of-Yr. Surplus (Deficit)</i>	(10.0)	(23.2)	132%	86.7	(45.7)	(64.1)

just under \$700 million (see Table 5 on previous page) broken down as indicated in Figure 4 on page 10.

- The growth of expenses since 1971 (when \$87.5 million of expenses was recorded) was almost 700% (or 137.5% after adjustment for inflation).
- Total expenses of \$698.9 million in 1991 represent an increase of 41.5% since 1986 (or 13.9% after adjustment for inflation).

It is important to note that both the amount of increase and the pace of increase was greater for expenses (41.5%) than for revenues (39.6%) between 1986 and 1991.

Artistic Personnel Expenses: Despite many industry assumptions that artistic personnel expenses were the primary driving force for increases in expenses:

- The real growth rate of artistic personnel expenses over the past five years was about the same for expenses overall.
 - This is reflected in the actual dollar increase in artistic personnel expenses between 1986 (\$253.4 million) and 1991 (\$355.8 million).

However, it is important to keep the following in mind. The figures provided represent *aggregate totals for the industry* and there are many *individual* orchestras in which artistic personnel expenses did drive overall expense increases. This was particularly true for larger orchestras where artistic personnel expenses kept significantly ahead of inflation. As an indication of this trend (as reported in Parts II and III of this report):

- The largest orchestras (those with budgets in excess of \$8.5 million) saw real growth in average weekly salaries rise 6.2% between 1986 and 1991 after adjusting for inflation.

- Smaller orchestras (with budgets between \$500,000 and \$2 million) saw average wages decline by 19% between 1986 and 1991 after adjusting for inflation.

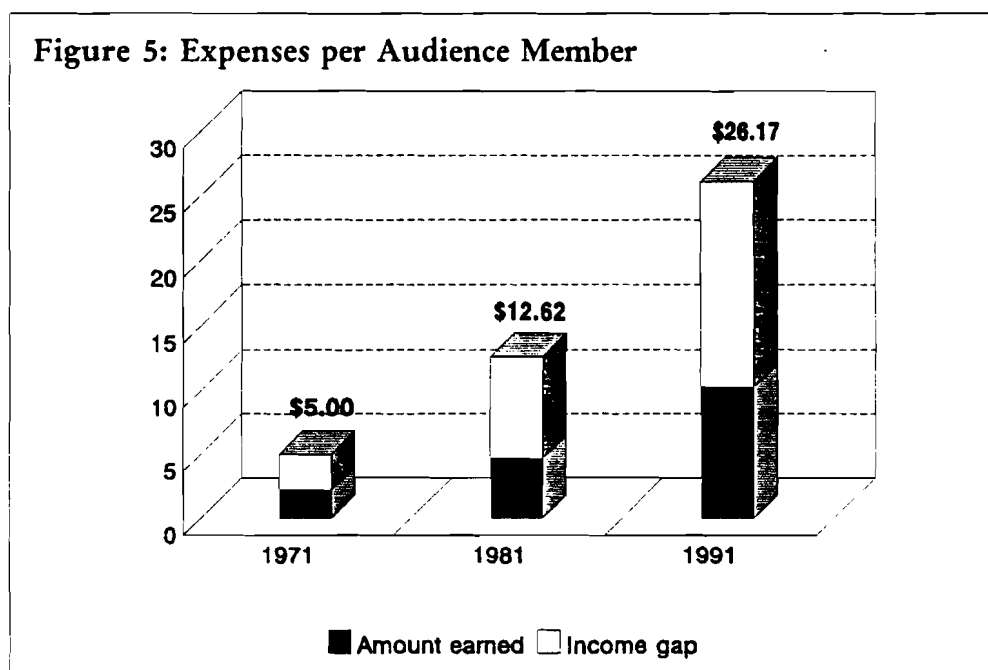
Another factor is also important to keep in mind in assessing the impact of increases in artistic personnel expenses on deficits. Many contracts require a minimum number of weeks of service for the players. It has become increasingly costly to sell the additional seats and raise the additional monies required to meet the expenses associated with these services. In this connection:

- Fund-raising costs have increased 51.7% since 1986 (compared to 41.5% for expenses overall).
- Advertising, promotion, and marketing costs have increased 56.6% since 1986 (compared to 41.5% for expenses overall).

One could speculate that it is because the number of services is not dependent on audience demand but on contractual agreements with artistic personnel that it has become more expensive to find the additional contributed dollars and new audience members to fill seats.

Cost of providing services to attendees: It has become increasingly expensive for symphony orchestras to provide performances to those who attend. Using total orchestra expenses as the benchmark, the costs over the past two decades are as follows:

- In 1971, it cost \$5.00 per audience member for the industry to provide 13,000 performances.
- In 1981, it cost \$12.62 per audience member for the industry to provide 20,100 performances.
- In 1991, it cost \$26.17 per audience member for the industry to provide 18,100 performances.



Unfortunately income does not cover these costs. Indeed, when one looks at total concert income (including admission fees and touring fees) against the total number of individuals served both at home and on the road, the income gap has widened. (See Figure 5).

- In 1971,
 - total concert income of orchestras was \$38.9 million or \$2.22 per audience member
 - the income gap per audience member was \$2.78
 - earned income from admissions and touring on average covered 44% of the cost of providing services to audiences.
- In 1981,
 - total concert income of orchestras was \$109.3 million or \$4.67 per audience member
 - the income gap per audience member was \$7.95
 - earned income from admissions and touring on average covered 37% of the cost of providing services to audiences.

- In 1991,
 - total concert income of orchestras was \$274 million or \$10.26 per audience member
 - the income gap per audience member was \$15.91
 - earned income from admissions and touring on average covered 39% of the cost of providing services to audiences.

Deficits: Because expenses since 1986 have increased at a faster rate than revenues, the size of combined year-end deficits for the industry has grown (to \$23.2 million):

- The industry year-end deficits have more than doubled since 1986 (when \$10 million in deficits was recorded).
- Deficits grew an inflation adjusted 146% since 1971 (when \$2.8 million was recorded).

**Table 6: A Profile of U.S. Orchestras
Endowment and Fund Balance Characteristics
1986 - 2000**

	<i>1986 (millions)</i>	<i>1991 (millions)</i>	<i>% Change 1986-91</i>	<i>Real % Change 1986-91*</i>	<i>1996 (millions)</i>	<i>2000 (millions)</i>
Total Endowment	512.2	876.5	71.1%	37.7%	1,166.2	1,431.8
Total End-of-Yr. Fund Balances	611.2	976.2	59.7%	28.5%	1,287.7	1,567.6

*After adjustment using the Consumer Price Index.

Source: 1986-1991 numbers are adjusted for the industry based on totals reported to the American Symphony Orchestra League by 254 orchestras. Projections for 1996 and 2000 are based on a simple linear regression on the unadjusted totals from 1986-1991 Comparative Statistical Report data.

Endowments and Fund Balances: The industry appeared to be helped enormously in meeting rapidly rising costs through expanding endowments as shown in Table 6 on the previous page.

These factors:

- contributed to a 38% real growth in orchestra endowments during the five-year period from 1986 to 1991 (to \$876.5 million)
- allowed for an increase in the total end-of-year fund balances (or net worth) of symphony orchestras to \$976.2 million (a 29% real increase between 1986 and 1991).

However, the growth in portfolio value of endowments (and realized yields) was fueled by a strong stock market. Endowments could just as easily be vulnerable to stock market declines in the future.

A Profile of Different Size Orchestras

What are the financial characteristics of a typical orchestra? How have they changed over time? As might be expected, different size orchestras have very different financial profiles. Table 7 on the following pages provides basic information on five different groups of orchestras. These same groupings are used in the graphs and tables in Parts II and III of this report and are as follows:

- Group 1 includes the 19 largest American symphony orchestras, which in 1991 had budgets of up to \$38.7 million. It also includes the largest chamber orchestra.
- Group 2 includes 22 orchestras, which in 1991 had budgets of up to \$8.5 million.
- Groups 3 and 4 include 48 orchestras with budgets in 1991 of up to \$5 million.
- Groups 5 through 7 include 68 orchestras with budgets in 1991 of up to \$1.8 million.

**Table 7: Selected Characteristics of U.S. Orchestras
Since 1966**

	<i>Average Total Revenue (000's)</i>	<i>Average Total Expense (000's)</i>	<i>Average Surplus (Deficit) (000's)</i>	<i>Avg.Invest./ Endowmt. Earnings (000's)</i>	<i>Average Total Perform- ances</i>	<i>Avg.Total Attend- ance (000's)</i>
Group 1						
1966	1,450.8	1,491.4	(40.6)	161.8	146	349.8
1971	2,817.4	2,943.9	(126.5)	316.9	177	449.1
1981	8,575.0	8,520.9	54.1	966.4	167	460.6
1991	19,347.7	20,083.7	(735.9)	2,343.5	195	580.2
% chg. '66-'91	1,233.6%	1,246.6%	1,712.6%	1,348.4%	33.6%	65.9%
Real % chg.*	217.3%	220.4%	331.2%	244.6%		
Group 2						
1966	355.7	357.9	(2.2)	6.6	66	126.2
1971	724.4	729.5	(5.1)	59.4	84	161.6
1981	2,490.3	2,535.5	(45.2)	169.4	101	192.2
1991	5,495.8	5,761.2	(265.4)	252.3	141	232.6
% chg. '66-'91	1,445.1%	1,509.7%	11,963.6%	3,722.7%	113.6%	84.3%
Real % chg.*	267.6%	283.0%	2,769.9%	809.4%		
Group 3-4						
1966	159.6	160.3	(0.7)	5.1	40	64.1
1971	270.8	277.1	(6.3)	33.7	31	50.2
1981	890.4	905.4	(15.0)	50.4	43	107.5
1991	2,311.6	2,374.4	(62.8)	112.8	157	227.6
% chg. '66-'91	1,348.4%	1,381.2%	8,871.4%	2,111.8%	292.5%	255.1%
Real % chg.*	244.6%	252.4%	2,034.3%	426.2%		
Group 5-7						
1966	49.9	52.2	(2.3)	3.0	15	17.0
1971	109.9	110.5	(0.6)	8.9	15	21.8
1981	282.1	282.3	(0.2)	22.5	16	25.0
1991	672.9	676.6	(3.7)	30.0	59	45.2
% chg. '66-'91	1,248.5%	1,196.2%	60.9%	900.0%	293.3%	165.9%
Real % chg.*	220.8%	208.4%	-61.7%	137.9%		

**Table 7: Selected Characteristics of U.S. Orchestras
Since 1966**

	<i>Average Total Revenue (000's)</i>	<i>Average Total Expense (000's)</i>	<i>Average Surplus (Deficit) (000's)</i>	<i>Avg.Invest./ Endowmt. Earnings (000's)</i>	<i>Average Total Perform- ances</i>	<i>Avg.Total Attend- ance (000's)</i>
Group 8-10						
1966	20.9	19.8	(1.1)	0.0	8	6.0
1971	35.6	35.6	0.0	0.8	16	18.0
1981	62.4	61.8	0.6	5.3	8	6.5
1991	208.0	204.1	4.0	7.0	25	17.7
% chg. '66-'91	895.2%	930.8%	-463.6%	775.0%**	212.5%	195.0%
Real % chg.*	136.8%	145.2%	-186.5%	160.2%**		

* After adjustment using the Consumer Price Index.

** For 1971-1991

Source: Data for 1966-1981 derived from published American Symphony Orchestra League data with participating orchestras regrouped to reflect current groupings. Averages are based on the number of orchestras actually responding to each item. 1991 data are based on 1991 Comparative Statistical Report data. For this reason, average surplus or deficit may not always match the difference between average total revenue and average total expenses.

- Groups 8 through 10 include 96 orchestras with budgets ranging from \$21,000 to \$631,000.

In order to develop consistency for historical and trend purposes, the researchers have used 1991 group membership to designate an orchestra's grouping over time.

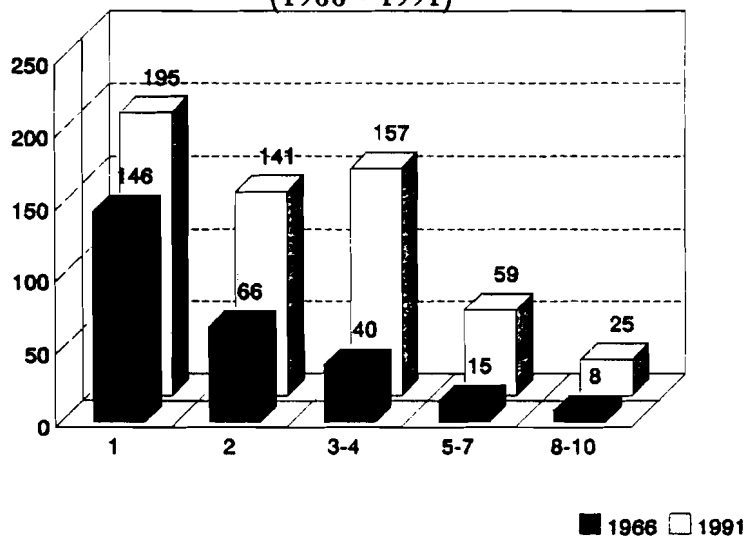
Performances and Admissions

Over the past quarter century, there have been significant increases in the number of performances offered by symphony orchestras with

the greatest percentage increases coming among Groups 3 and 4 orchestras and Groups 5 through 7 orchestras:

- The average number of performances offered annually by Group 1 orchestras has increased from 146 to 195 (or 34%).
- The average number of performances offered annually by Group 2 orchestras has increased from 66 to 141 (or 114%).
- The average number of performances offered annually by Groups 3 and 4 orchestras has increased from 40 to 157 (or 292.5%).
- The average number of performances offered annually by Groups 5 through 7 orchestras has increased from 15 to 59 (or 293%).
- The average number of performances offered annually by Groups 8 through 10 orchestras has increased from 8 to 25 (or 212.5%).

**Figure 6: Average Number of Performances by Orchestra Group
(1966 - 1991)***



*Includes all types of performances

There have been similar gains in admissions over the 25 year span. Average annual admission grew:

- from 349,800 to 580,200 (or 66%) for Group 1 orchestras
- from 126,200 to 232,600 (or 84%) for Group 2 orchestras
- from 64,100 to 227,600 (or 255%) for Groups 3 and 4 orchestras
- from 17,000 to 45,200 (or 166%) for Groups 5 through 7 orchestras
- from 6,000 to 17,700 (or 195%) for Groups 8 through 10 orchestras.

Revenues

Over the past quarter century, all orchestras' revenues grew. The greatest percentage of revenue growth in any category was achieved by Group 2 orchestras, where real revenue growth was almost 268%.

On average, from 1966 to 1991, revenue grew:

- from \$1.45 million to \$19.3 million (or an inflation adjusted 217%) for Group 1 orchestras
- from \$356,000 to \$5.5 million (or an inflation adjusted 268%) for Group 2 orchestras
- from \$160,000 to \$2.3 million (or an inflation adjusted 245%) for Groups 3 and 4 orchestras
- from \$50,000 to \$673,000 (or an inflation adjusted 221%) for Groups 5 through 7 orchestras
- from \$21,000 to \$208,000 (or an inflation adjusted 137%) for Groups 8 through 10 orchestras.

Investment/Endowment Income: Various stabilization efforts over the past two and a half decades have had as an important premise that orchestras can improve their financial condition by increasing

revenue through investment of increased capital (cash reserves, endowments, etc.). The success of these efforts has been mixed:

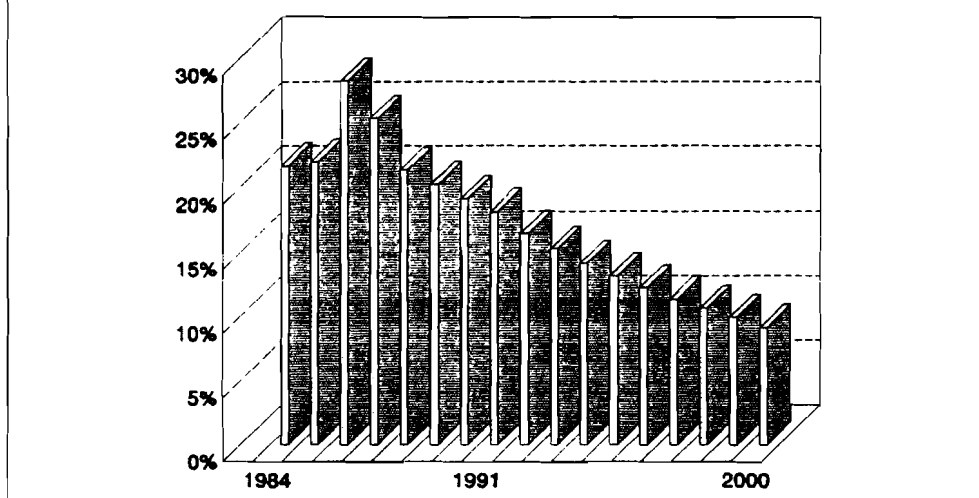
- On the one hand, it is clear that orchestras have increased revenue from these sources.
- On the other hand, there are few indications that increased revenue from investments has improved the financial condition of the industry. Indeed, increases in income from investments have not been adequate to stem the substantial growth in deficits.

Nevertheless, the growth in income from investments/endowments has been dramatic, especially among the largest orchestras as would be expected. Over the 25 year period from 1966, the average amount of annual income from investment sources has increased:

- from \$161,800 to \$2.3 million (or an inflation adjusted 245%) for Group 1 orchestras
- from \$6,600 to \$252,300 (or an inflation adjusted 809%) for Group 2 orchestras
- from \$5,100 to \$112,800 (or an inflation adjusted 426%) for Groups 3 and 4 orchestras
- from \$3,000 to \$30,000 (or an inflation adjusted 138%) for Groups 5 through 7 orchestras
- from 0 to \$7,000 for Groups 8 through 10 orchestras.

Public Sector Giving: As has already been noted, orchestras can no longer count on tax-supported contributions to cover as large a proportion of their expense budgets as was once the case. It is also true that public sector giving represents an ever declining share of total giving. In the case of the largest orchestras, public support accounted for 22% of total contributed support in 1984. Given current trends, public support will decline to 9% of total contributed support for these largest orchestras by the year 2000 as indicated in Figure 7 on the following page. Comparable declines will be experienced by all orchestra groups as already noted in this report.

Figure 7: Public Support as Percent of Total Contributed Support for Group 1 Orchestras



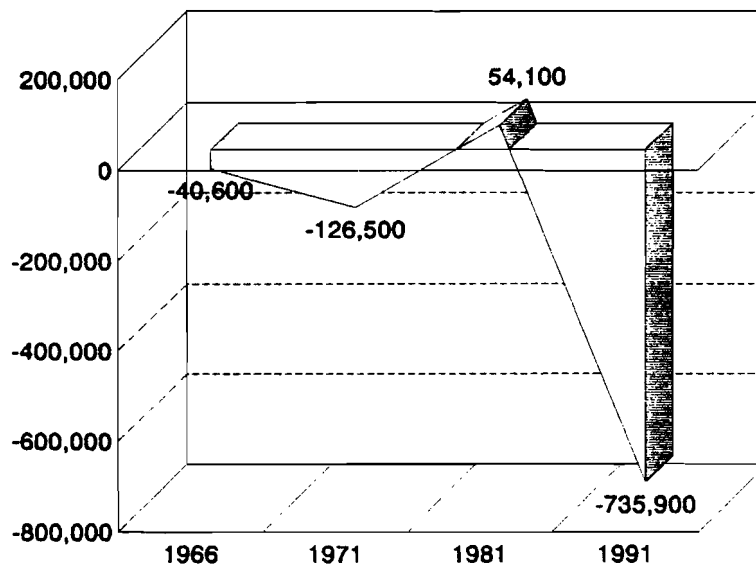
Expenses

Over the past quarter century, the average expenses of orchestras grew as follows:

- from \$1.5 million to \$20.1 million (or an inflation adjusted 220%) for Group 1 orchestras
- from \$358,000 to \$5.8 million (or an inflation adjusted 283%) for Group 2 orchestras
- from \$160,000 to \$2.4 million (or an inflation adjusted 252%) for Groups 3 and 4 orchestras
- from \$52,000 to \$676,600 (or an inflation adjusted 208%) for Groups 5 through 7 orchestras
- from \$20,000 to \$204,100 (or an inflation adjusted 145%) for Groups 8 through 10 orchestras.

Surplus/Deficits

Similar trends can be noted in looking at the average year-end surplus or deficits of symphony orchestras. In 1966, the average or-

Figure 8: Average Operating Surplus/Deficit of Group 1 Orchestras

chestra in every category showed a deficit. By 1991, the deficits of the larger orchestras had increased substantially while the smallest orchestras were showing slight surpluses.

On average, between 1966 and 1991, deficits increased from \$40,600 to \$735,900 for Group 1 orchestras (as indicated in Figure 8).

On average, between 1966 and 1991:

- deficits increased from \$2,200 to \$265,400 for Group 2 orchestras
- deficits increased from \$700 to \$62,800 for Group 3 and 4 orchestras
- deficits increased from \$2,300 to \$3,700 for Group 5 through 7 orchestras.

However, for the smallest orchestras on average, between 1966 and 1991, annual deficits of \$1,100 were replaced by surpluses of \$4,000.

Future Trends

As part of this research project, the consultants were asked to project future trends for the orchestra field. Various tables in this part of the report include projections for the industry. Parts II and III of the report offer more in-depth analysis of future trends, broken down into additional categories of financial information and orchestra groups.

It is important to state that as a predictor of the future, the projecting method being used in this report is fairly crude. It assumes that there will be a set of circumstances driving the industry in the future that will exactly replicate the trends of the past, even though we can virtually guarantee that this will not be the case. Changes in the patterns of public funding and private philanthropy, changes in the performance of the stock market, or changes in the outcome of labor negotiations (to name just a few variables) could dramatically alter historical patterns. Nevertheless, the projections do provide a rough indication of likely directions for the industry without significant changes in the way orchestras do business.

It should be noted, in this connection, that in order to chart trend lines that are more accurately reflective of recent historical trends, the researchers have used data not from the past two decades but from the past five years only. Using this approach, the analysis shows that for the industry as a whole, in the year 2000:

- Total annual revenues will be \$946.5 million (see Table 3).
- Total annual expenses will be \$1.01 billion (see Table 5).
- The annual industry deficit will be \$64.1 million (see Table 5).
- The corpus of endowments will be \$1.4 billion (see Table 6).
- The net worth of orchestras will be \$1.6 billion (see Table 6).

THE FINANCIAL CONDITION OF SYMPHONY ORCHESTRAS

Presentation at the 1992 Conference of the
American Symphony Orchestra League

by
Dr. Thomas Wolf

Introduction

Thank you. The challenge in the next couple of hours for those of us presenting and for you listening is to capture the shape of the orchestra industry in the United States from a financial point of view. The problem we face is that the building blocks we are working with here are numbers -- numbers that come in the form of statistics about dollars, performances, and people. If I spent this first hour simply reciting these numbers, most of you would become glassy eyed in a very short time. For those who are interested, there are three volumes of numbers, charts, graphs, and text. One of these you have already been given and the other two you can purchase. These volumes offer more detail on the research we conducted over the past several months and the numbers that are behind this presentation. But in this session, what we want to do is to tell the story behind the numbers. We want to sketch some portraits of people and orchestras to highlight what our research has revealed about the industry. The statistics that accompany this presentation and amplify the portraits are not made up. They are based on careful research and, I believe, they are reliable. Where statements are made about the future, they are based on statistical models built from current trends in the industry.

Portrait of A Large Orchestra

So I will begin with the first portrait. It is of a trustee who served on the board of a major orchestra 25 years ago. The year is 1966. This trustee has been with the orchestra for two decades since the mid-1940's. As he assesses the institution, he is proud of many things. The orchestra is among the largest in the nation. It is led by an internationally acclaimed conductor. Audiences are larger than they have ever been. The Mayor consistently mentions the orchestra in speeches extolling the virtues of the City. There is tremendous prestige in being a member of the Board.

As our trustee looks back at his tenure, he is wistful. When he joined the board, assuming the seat held by his father, the City was being flooded with talented musicians - many from Europe. The players seemed content once they joined the orchestra, and a little money seemed to go a long way. Some funds had to be raised each year -- it is true -- but usually a few trustees constituted the only donors. It was done quietly and tastefully. No fund-raising letters, no foundation grants, no corporate sponsorships. The

orchestra also had little competition. Except for the City's art museum, there were no other serious arts organizations in town contending for audience. Leaders in the community either subscribed to the orchestra, joined the museum, or did both. These two institutions seemed to take care of the arts needs in people's lives, at least the people whom our trustee knew.

Back in 1946, the orchestra usually played a concert or two a week, some children concerts, and a few other events periodically. The war had just ended so there was also some domestic touring to meet local demand in the country. That was about it. Concerts started up in October and everyone disbanded in May. The orchestra musicians held a variety of other jobs -- their orchestra employment constituted only part of their professional lives, and they supplemented their income with teaching, other community performing jobs, summer music schools, and chamber music. There was an orchestra manager who had some office help. It was such a simple operation.

But that was 1946. Now it is 1966 and our trustee, as one of the more thoughtful members of the Board, worries about the future. The orchestra is certainly a very important institution, a continuing source of pride to the community. It has even gone to Europe and audiences and critics there proclaimed that American orchestras are now the greatest in the world. Our trustee is proud that his American arts institution has gained international prominence just as many young home-grown instrumentalists like Van Cliburn seem to be winning more and more international competitions.

But in 1966 it all costs so much. The budget has become staggeringly high. It has now reached over a million and a half dollars. And the scale of operation has grown. The orchestra is playing many more performances -- almost 150 -- and there are over 300,000 admissions to these events. Our trustee sometimes wonders whether the orchestra has become an institution out of control -- at least out of his control and the control of his fellow trustees. Gone are the days when they could cover the shortfall in expenses themselves. The trustees need to ask others to help. And it seems to be a never ending round of requests to which a nagging \$40,000 deficit at the end of the current season bears unpleasant evidence. How long can an orchestra sustain a deficit and survive, he asks himself?

Another source of worry is that the civility of the relationship between the musicians and management seems to be eroding. The musicians now operate an effective collective bargaining unit, and they are looking to the orchestra to provide them with a generous salary, a benefits package, and a 52-week contract. Our trustee wonders if there is any magical answer to address these financial challenges.

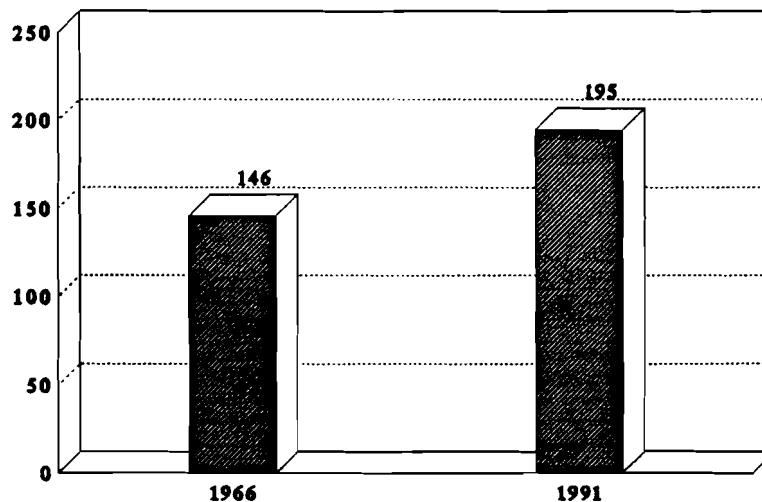
He has always been suspicious of the federal government and he was opposed to the creation of a federal agency on the arts. But now President Johnson has put the finishing touches on the National Endowment for the Arts legislation, and Congress has

gone along with the idea of creating not only a federal funding agency but a network of state arts councils as well. Maybe orchestras ought to take advantage of government support. Indeed, our trustee anticipates what will become a well documented theme through the 1970's -- namely, that government should assume responsibility for orchestra deficits. As an example, in a 1972 McKinsey & Company Report that offered one of the first financial analyses of data provided by the American Symphony Orchestra League, the author argued that the public sector should cover 20 to 25 percent of the expenses of orchestras if they were to remain healthy.

Our trustee also wonders if private foundations might be the answer to growing financial challenges. Perhaps the initiatives of major foundations to provide very large one-time challenge grants might work. These financial mechanisms -- which would also go by the name of "stabilization" grants -- were intended to build the endowments of orchestras to such a large extent that the income from investments would erase the deficit for all time. Ah well, our trustee muses, thank goodness his son is taking the family seat on the Board.

That was then. Twenty-five years later in 1991, our old trustee is no longer with us and perhaps it is a good thing. One wonders what he would think if he surveyed the situation of his orchestra at the beginning of the decade of the 1990's. In 1991, his orchestra gave even more concerts (Chart A-1) (from 146 in 1966 to almost 200 in 1991) during a 52-week season and is serving more people (Chart A-2) -- admissions having grown from 350,000 in 1966 to 580,000 in 1991.

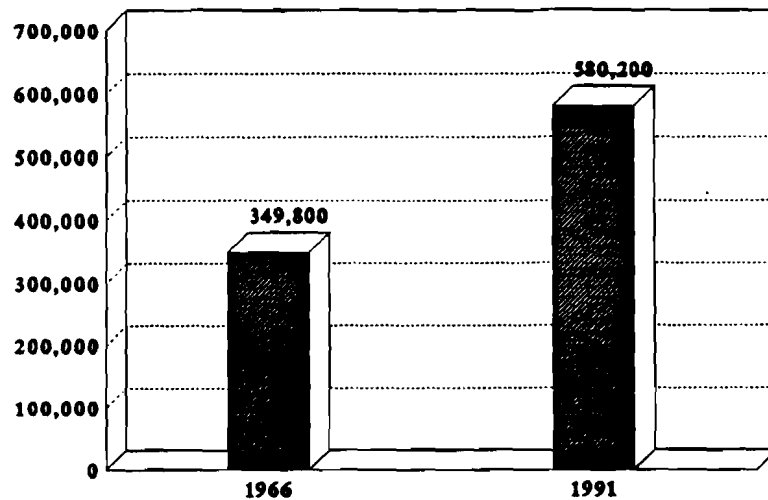
Average Annual Number of Concerts



Data on Group 1 orchestras provided by
American Symphony Orchestra League

Chart A-1

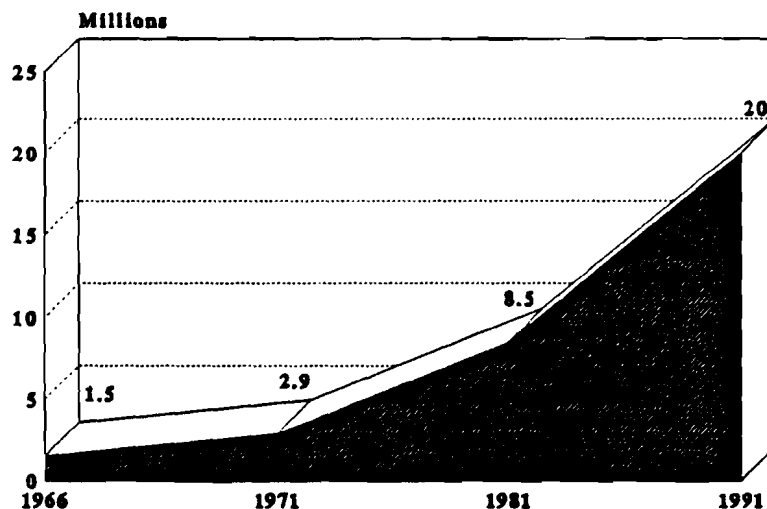
Average Annual Concert Admissions



Data on Group 1 orchestras provided by
American Symphony Orchestra League

Chart A-2

Total Annual Expenses

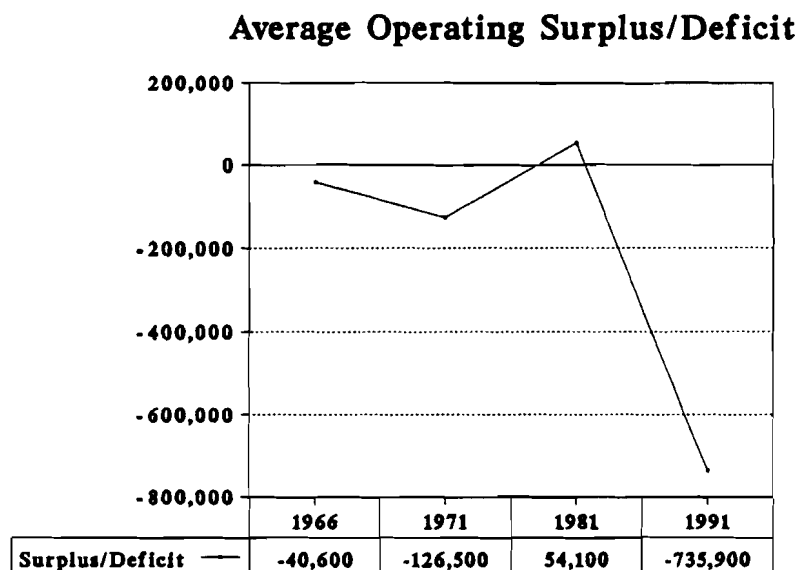


Data on Group 1 orchestras provided by
American Symphony Orchestra League

Chart A-3

Earned income from ticket sales has increased dramatically as have fund-raising results. But in 1991 (Chart A-3), the expense budget of his orchestra, which in 1966 was \$1.5 million, has increased 1200 percent to more than 20 million dollars. Even when adjusted

for inflation, the real growth in orchestra expenses has increased 220%. Of greater consequence to those on the Board who carry the fiduciary responsibility for the organization (Chart A-4), the operating deficit has increased from a mere \$40,000 in 1966 to \$735,000 in 1991.



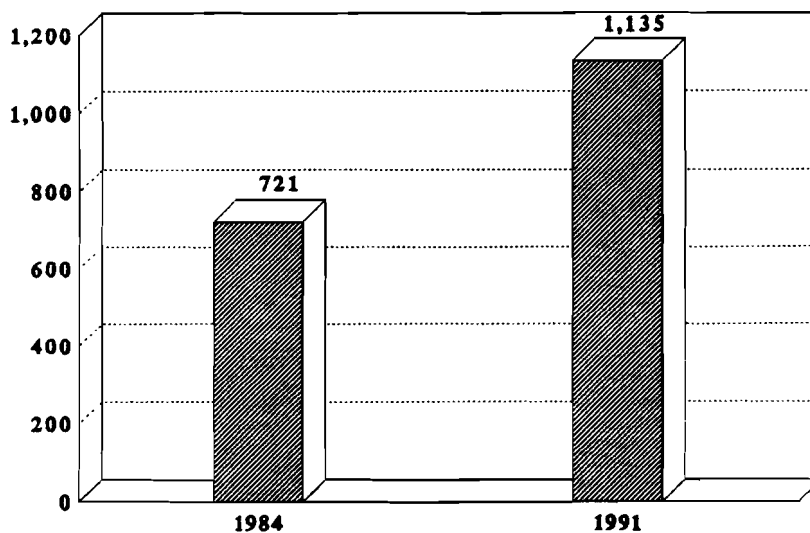
Data on Group 1 orchestras provided by
American Symphony Orchestra League

Chart A-4

It is 1991 and the son of our trustee sits in the chair occupied by his father and grandfather. He too speculates about the past, present and future. Of some considerable pride to him is the fact that his orchestra is playing better than ever before and is considered one of the greatest arts institutions in the world. And one of the reasons for that is that he and his fellow Board members have made every attempt to attract the very best players by continually increasing weekly salaries. Just since 1984, in fact, (Chart A-5) they have increased weekly wages from \$721 to \$1,135 representing a real increase (after adjustments for inflation) of 20%. His father's wistful hope that the federal government might pick up the operating shortfall has long since been abandoned. Indeed, the son realizes that if present trends continue (Chart A-6), public sector support as a percentage of total contributions will decrease from what was 22% in 1984 to less than 10% by the year 2000.

His father's wish for a major foundation challenge grant actually came about in the 1970's, but the grant did not slow the growth of the orchestra's deficit. Some of the trustees blame the financial problems on recent labor agreements and high salaries. But our trustee knows that it is not all that simple. In the last five years, the increase in artistic personnel expenses have exceeded inflation by only about 6%. There is a different problem created by a recent labor agreement, however, one that concerns our

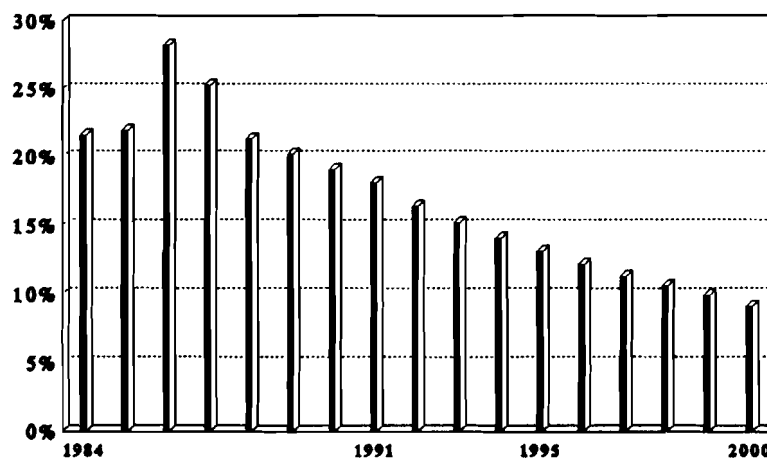
Average Player Weekly Salaries



Data on Group 1 orchestras provided by
American Symphony Orchestra League

Chart A-5

Average Public Sector Support as a Percentage of Total Support



Data on Group 1 orchestras provided by
American Symphony Orchestra League

Chart A-6

trustee even more. The orchestra is having difficulty using up all the services it contracted for, and it has become much more difficult to sell tickets for the additional performances that have been scheduled. The decision on how many concerts to play

seems not to be established by audience demand, but instead by the collective bargaining with musicians.

As the younger trustee surveys the situation in 1991, as his father did 25 years before, he worries. He wonders how much longer the orchestra can raise money for the endowment, only to transfer a substantial portion of it to the operating deficit (Chart A-7). Since 1984, the amount transferred has always exceeded \$300,000, and in one year it reached almost \$1.5 million.

Average Transfers from Endowment

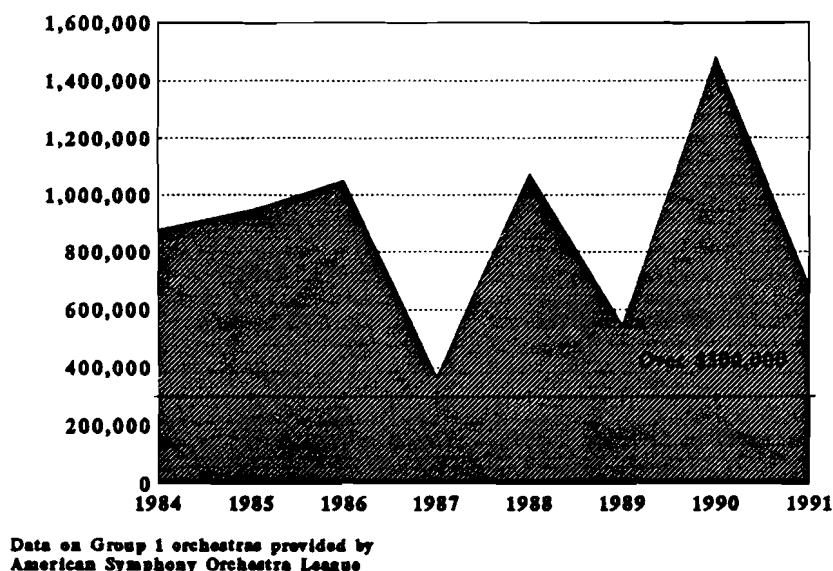


Chart A-7

He also worries about conditions in the larger society that affect the health of his orchestra. What will happen to private philanthropy? Its overall growth over the last decade was extraordinary -- from \$21 billion in 1970 to \$122 billion in 1990, and the arts certainly shared in that growth (Chart A-8) -- from \$663 million for the arts in 1970 to almost \$8 billion in 1990. But this very growth masked a very alarming trend (Chart A-9). The orchestra industry's share of the private philanthropic arts dollar declined by almost a third during that period. There were many more arts organizations with increasingly sophisticated development departments asking for money. And many of them had made the case far more convincingly than orchestras that they were solving community problems and addressing community needs.

Indeed, for our trustee, this might be the greatest worry of all -- the fact that funders talk about an ever increasing multi-cultural society in which a European-based symphony orchestra is less relevant to growing segments of American society. The trustee shakes his head as he thinks about his family seat on the Board and the fact that his fellow

orchestra are African-Americans.

He wonders about the condition of arts education in American schools. Could the lack of music education account for audiences' growing preference for pops programs? Audiences seem to be less willing to commit to an entire season of classical music concerts, and pops programs accounted for an increasing share of total attendance since 1984. He worries about competition -- from other arts organizations, from sports teams, from television. And he worries that it costs ever more -- in staff and dollars -- to raise the next dollar and sell the next ticket. Indeed, since 1984 (Chart A-10), average development costs have been rising 17% per year and the cost of raising each dollar has increased from 13 cents to over 17 cents. Similarly, marketing costs have increased by 94% since 1984 and it now costs substantially more than it used to to sell tickets (Chart A-11).

Average Development Expense

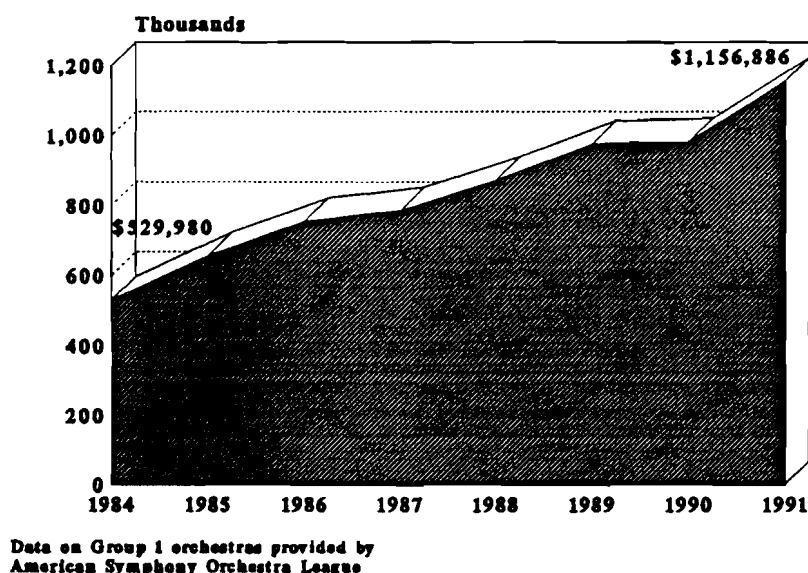
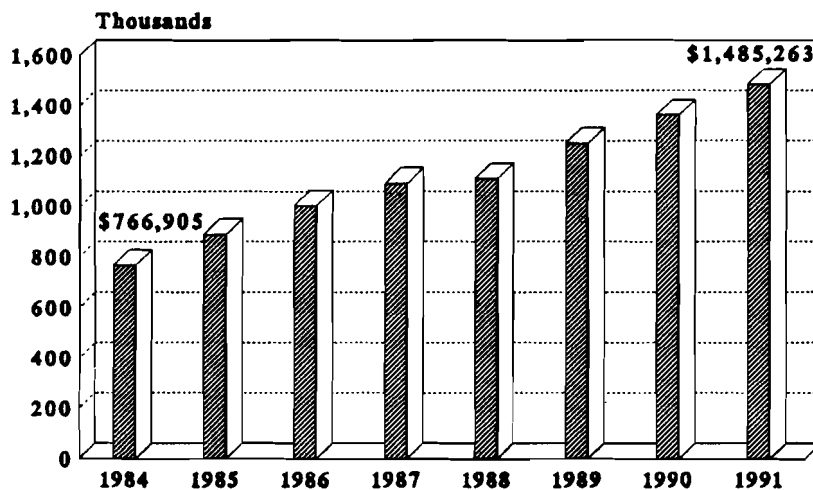


Chart A-10

Portrait of Small Orchestra

Let us now move on and look at another trustee who serves on the Board of a much smaller symphony at the other end of the financial spectrum. In 1991, he too might look wistfully back to 1966 when his organization was providing 15 concerts with total admissions of 17,000. The orchestra's budget would have been modest - just over \$50,000 with an equally modest deficit of \$2,300. And where would that orchestra be in 1991? (Chart A-12) It would have increased the number of concerts it produced from 15 to 59, (Chart A-13) admissions would have climbed from 17,000 to 45,000, and (Chart A-14) expenses would have increased from \$52,000 to over \$675,000. This all

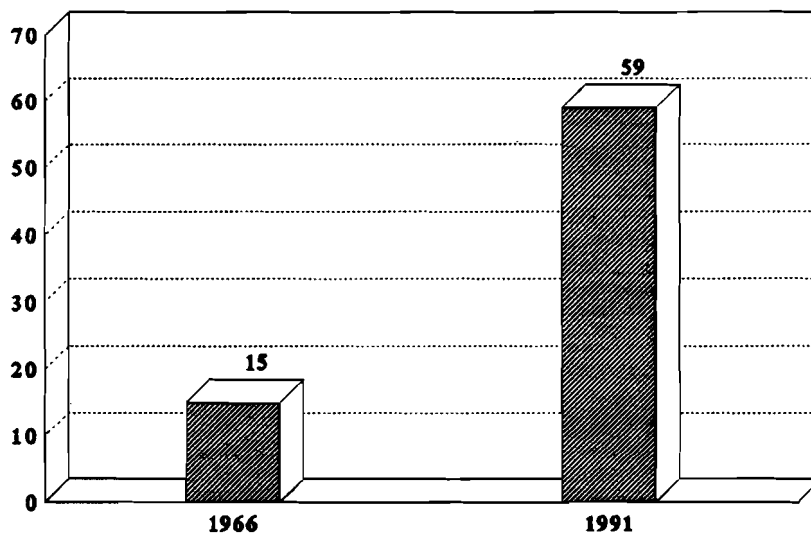
Average Advertising, Promotion, and Marketing Expense



Data on Group 1 orchestras provided by
American Symphony Orchestra League

Chart A-11

Average Annual Number of Concerts

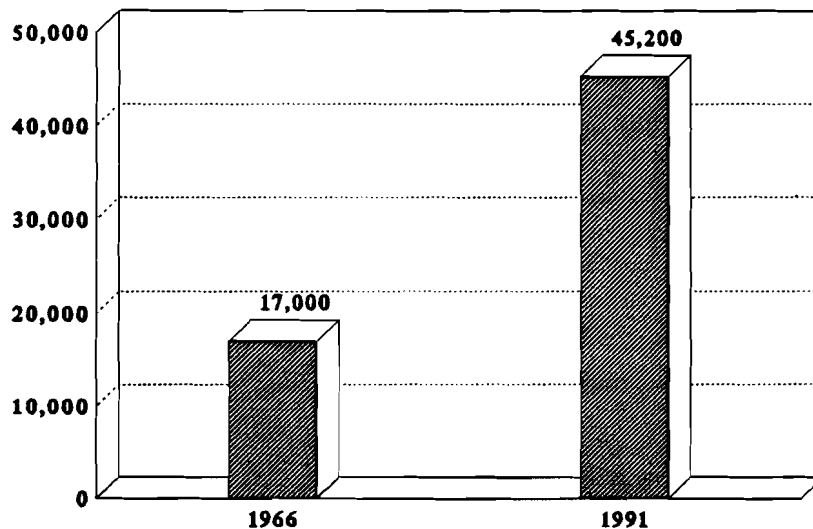


Data on Group 5-7 orchestras provided by
American Symphony Orchestra League

Chart A-12

adds up to some good news, however. In 1991, his orchestra would be showing a very manageable operating deficit of \$3,700 (less than 1% of the operating budget).

Average Concert Admissions



Data on Group 5-7 orchestras provided by
American Symphony Orchestra League

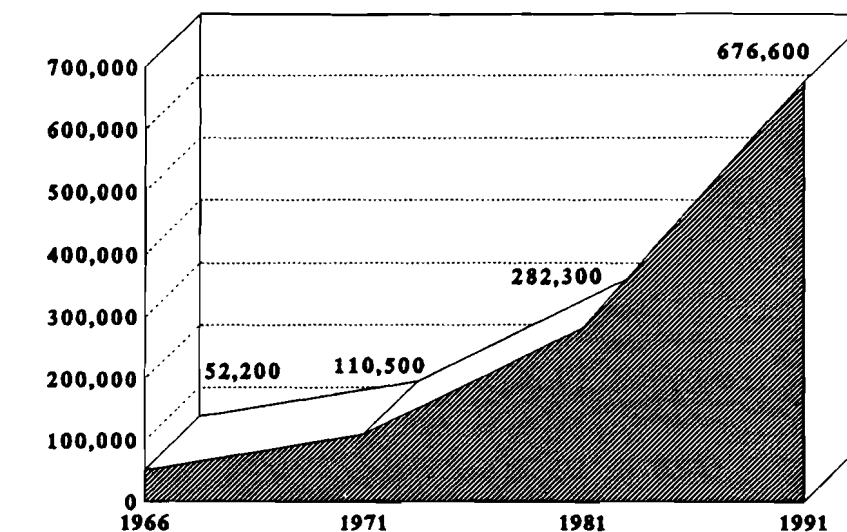
Chart A-13

So why isn't this Board member smiling? Why is he also worried? It is because this orchestra has not been able to increase the wages of its artistic personnel the way the players or the trustees had once hoped they could. Though the larger orchestras have managed to increase wages at a rate that stayed ahead of inflation, this trend could not be replicated in smaller orchestras. In this trustee's small orchestra, the organization has managed to keep 16 of the musicians on weekly contracts and pay them for 40 weeks of services. But since 1984, the wages of these players have declined 44% after adjusting for inflation. The orchestra has managed to keep revenues about on a par with expenses, it is true. But it has done so (Chart A-15) by increasing the number of services provided by part-time players from 62 to 160.

The Present Crisis

The trustees whom I have just described are clearly worried about their orchestras. Their worries are symptomatic of an industry that is in financial trouble. Before outlining a few more of the statistics leading to that conclusion, let me say a few words about what I mean by the orchestra industry. As well as one can estimate, there are roughly 1,600 orchestras in the United States. When one excludes those that are youth orchestras, those affiliated with colleges or universities, or those whose annual expenditures are less than \$100,000, there are approximately 400. When The Wolf Organization was asked to do a statistical analysis of the industry, we had access to data on 254 orchestras, which encompass overwhelmingly the financial activity of the field,

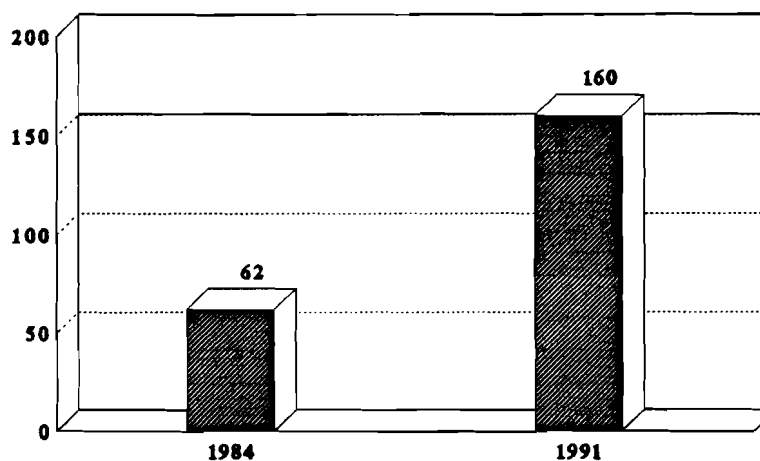
Total Annual Expenses



Data on Group 5-7 orchestras provided by
American Symphony Orchestra League

Chart A-14

Average Number of Services by Part-time Players



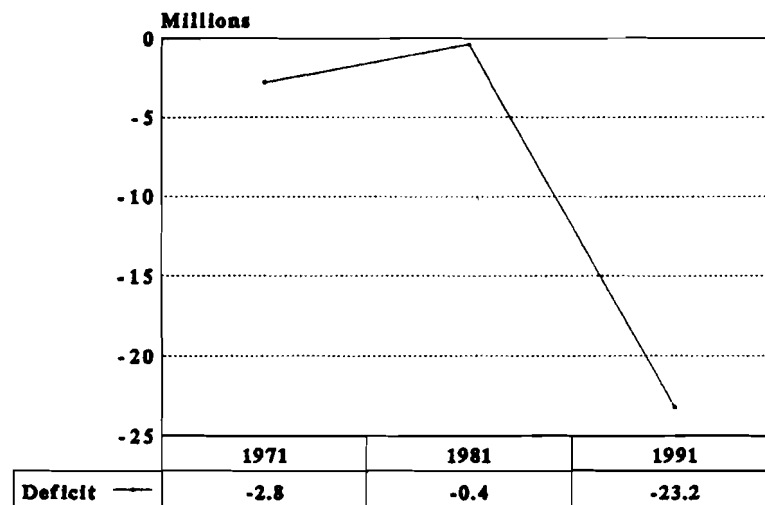
Data on Group 5-7 orchestras provided by
American Symphony Orchestra League

Chart A-15

and our statements are based on this group. We were fortunate to have access to the database of the American Symphony Orchestra League, which is without question the most comprehensive and accurate repository of information on any industry within the nonprofit arts field.

What were the major benchmarks that suggest that the industry was in trouble in 1991, and how do they compare with similar indicators in earlier years? In 1991, orchestras took in \$23 million less than they spent. (Chart A-16) This \$23 million deficit reflected a 725% increase over the \$2.8 million deficit the industry recorded in 1971. Even when adjusted for inflation, the increase was almost 150%. The reason for this is partly that symphony orchestras have had little success in keeping expenses under control. In 1971, expenses for the industry were \$87 million; in 1991 they were almost \$700 million.

Total Operating Deficit



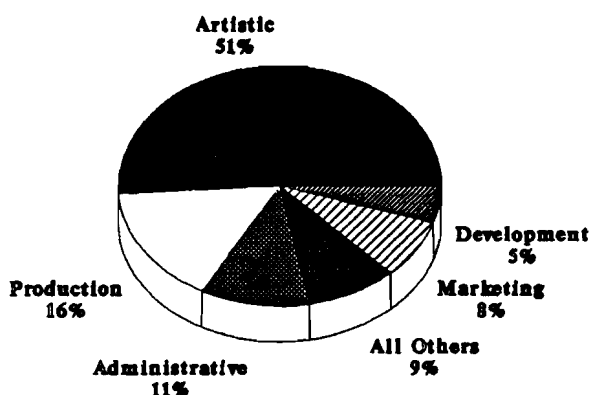
Data on all orchestras provided by
American Symphony Orchestra League

Chart A-16

And where did the money go? (Chart A-17) Fifty one percent of the expenses were for artistic personnel. The next highest category was for production expenses at sixteen percent. Marketing and development together accounted for 13%. Indeed, as one looks at the pie chart in order to find places to save money, the situation is not encouraging. The artistic personnel side of the equation accounts for more than half of the chart, but wages in many orchestras have not even kept up with inflation in the last five years. Once artistic personnel costs are eliminated, there is less than half of the pie to work with. It is a bit like the federal deficit. On the domestic side, if the so called "entitlements" are taken out, there isn't all that much to cut that will make a substantial dent in what is a very large shortfall.

Orchestras gave more than 18,000 performances and they earned more than 60% of their revenues in 1991 principally from concert income. That is good by performing arts industry standards -- roughly the same as the theatre industry and considerably better

Breakdown of Expenses for 1991



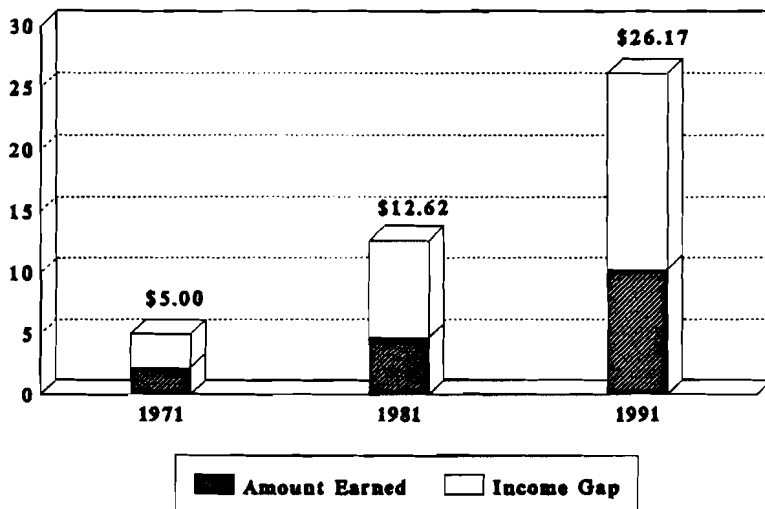
Data on all orchestras provided by
American Symphony Orchestra League

Chart A-17

than dance and opera. The industry has also shown some productivity gains in the last few years with 1,500 people on average at concerts as opposed to 1,200 a decade ago. Theatre companies by comparison serve only about 350 people per performance. But even though total admissions are up and per-concert attendance is up, orchestras are losing more and more money each time they provide services to audiences. (Chart A-18) In 1971, it cost orchestras \$5 to provide services to each audience member. Earned income for these events -- money from ticket sales and touring fees -- accounted for only 44% of the cost of these services. Audiences were paying only \$2.22 for every \$5.00 that orchestras paid out, and the balance of \$2.78 had to be raised or come from some other source. By 1981, it cost \$12.62 per audience member with orchestras having to subsidize about \$8. And by 1991, the cost per audience member had risen to \$26.17 with orchestras having to subsidize about \$16 of that amount. Clearly orchestras are losing ground, and few people believe that raising ticket prices dramatically is the solution to the problem.

Some have argued that the solution should be for orchestras to build up their endowments. Endowments for the industry now stand at \$875 million (which for comparison purposes is less than a quarter of Harvard University's endowment and less than the individual endowments of several other universities). If in 1991, we had looked to income from endowments to erase the industry deficit of \$23 million, about half a billion dollars more would have been required in the industry's endowment coffers. By the year 2000, if current trends continue, the anticipated industry deficit would be \$64 million and endowments would have to grow to over \$2.2 billion to cover the shortfall.

Average Expenses per Audience Member



Data on all orchestras provided by
American Symphony Orchestra League

Chart A-18

Does anyone believe orchestra endowments will triple in size in the next eight years? And even if they do, will this simply be yet another invitation to ratchet up the expenses of orchestras as has occurred each time orchestra endowments have increased in the past?

The Future

If there are people in this room who still think that things are really not so bad for symphony orchestras, I would urge them to think more carefully about the statistics I have just presented. Our team of researchers has pored over the numbers for many months. We have performed a variety of analyses and asked a number of "what if" questions. What we found is not encouraging. And our worries grew as we extended the trend lines to the year 2000.

Take operating deficits for example. As our elderly trustee asked in 1966: how long can an industry spend more than it takes in? (Chart A-19) Will the orchestra industry continue to be able to juggle its finances in order to meet what, based on current trends, would be a \$64 million annual shortfall by the year 2000?

Or consider private giving. Can the industry afford a continuation of what has been a 32% decline in its share of the philanthropic arts dollar since 1970? That decline in share has been masked by what has been an extraordinary growth in total giving over the past 20 years. But all signs point to a flattening of the private giving growth curve and

Annual Shortfall

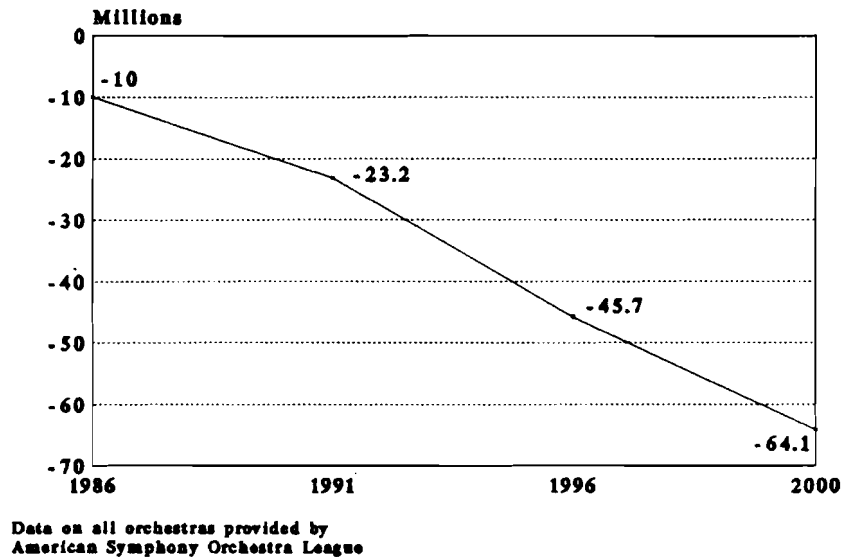


Chart A-19

more competition from non-arts organizations for an increasing share of the philanthropic pie.

Then there is the public sector. In the 1972 McKinsey report, government was regarded as the potential salvation for orchestras. But we all know the condition of state and federal arts funding, and, for the first time in three decades, there are more and more serious minded people -- people who actually are great arts supporters -- who say publicly that the federal government should not be involved in funding the arts. Even if, as is unlikely, there should be a growth spurt in public funding, orchestras are not well positioned to meet the public mandate of service to an increasingly multi-cultural society. Finally there is the cost of bringing in money. When will the law of diminishing returns be reached as orchestras spend more and more to raise the next dollar or sell the next ticket?

These are financial questions, but behind them lurk serious issues about the fundamental philosophy upon which the orchestra industry rests. In the past, most people have thought that the financial problems of symphony orchestras could be addressed by financial solutions and strategies. But so far, no one has found those solutions. The industry has tried stabilization programs. It has made its case before federal, state, and local governments. It has increased ticket prices and found creative new ways to raise more money. It has even begun working out arrangements with the players to keep artistic labor costs -- the single largest expenditure item -- under some modicum of control. But the financial problems persist and we need to ask whether the industry

should challenge some of its most cherished assumptions. We must ask: is there a new paradigm for American orchestras?

A New Paradigm?

A new paradigm, as it has come to be understood in academic circles, is a fundamental change in the assumptions and principles that underlie a discipline. I would argue that the orchestra industry must undergo a paradigm shift -- not a process of small-scale, selective tinkering but a basic transformation in the way business is conducted. There are probably many opinions among those of us in this room about whether and to what extent symphony orchestras in the United States should change in order to address their financial challenges. Undoubtedly, the people who talk after me in this session today will have serious and informed suggestions. But as something of an orchestra outsider, I would like to ask a series of rhetorical questions. They may be quite controversial, but they will suggest areas that I believe should be examined in trying to address seriously the crisis the industry is in.

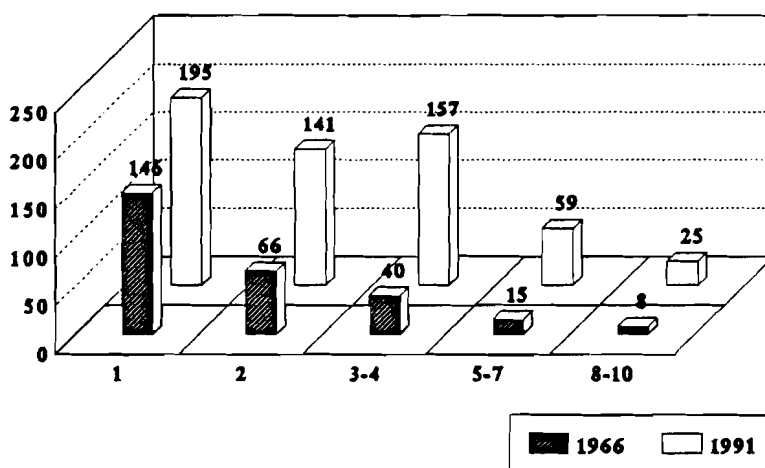
First, I would ask how viable is the full-time 90 to 100-piece orchestra? Perhaps in some places it is not only viable but it is indispensable. But is the model of a salaried core of a hundred players appropriate for a substantial number of communities with professional orchestras in this country? Probably not. I have heard the arguments about the artistic integrity of such an ensemble. But I reject the notion that this is the ideal structure to which orchestras must aspire and that a smaller core orchestra supplemented by part-time players is not a reasonable and acceptable goal. We live in a country and in a time when many profit-making companies are down-sizing to survive. Are symphony orchestras so different? Do people really believe that it is preferable for a community to lose its orchestra rather than scaling it down to an affordable size? My prediction is that 25 years from now, if the orchestra industry is healthy, we may have no more orchestras with 90 to 100 *full-time* players than we have now. And there may be fewer.

Second, should orchestras continue to market their wares primarily from a single venue? We build magnificent \$25 million, \$50 million, or \$100 million orchestra halls -- often miles from where our core audiences live. For example, many of my friends live in the suburbs surrounding Boston and they choose to attend arts events that are conveniently located. Driving into center City is something they avoid and as a result, they are not Symphony attenders even though, a generation ago, they would have been. And what about those orchestras located in the center of a large region that expect audiences to come to them? Might local and regional touring be expanded again so that orchestras can take their product to the people who live in these areas. Ironically, based on research The Wolf Organization has conducted in the midwest, there is even some evidence that if they do, it will increase attendance at the home facility.

Third, can orchestras continue to produce more product than their consumers want?

Orchestra players, who like me are members of the American Federation of Musicians, have taken a specific bargaining position -- namely, that they should be paid properly for the work they do. The problem for orchestras has been that in order to pay musicians a reasonable wage, the decision has been made to schedule more services than the market will easily bear. This goes a long way toward explaining the increases in the marketing, advertising, and promotion costs of orchestras. It becomes prohibitively expensive to sell tickets to people who do not particularly want to buy them. Look at how many more concerts orchestras are giving today than they did 20 years ago (Chart A-20).

Average Number of Performances by Orchestra Group



Data on all orchestras provided by
American Symphony Orchestra League

Chart A-20

The shorter spike shows, for each size category of orchestras, how many concerts they gave in 1971. The larger spike shows how many they are giving today. It is clearly too many in a lot of cases. It may cost \$25 on average to sell a hundred dollars worth of tickets. But in reality, it probably costs \$2 to renew your loyal old subscriber and \$50 to find a new one.

The answer, in some orchestras, may simply be to reduce the number of services that are offered. But this is not the only solution. The industry might also look toward orchestra mergers so that two or more smaller cities could share a single orchestra. Or if civic pride precludes giving up an orchestra, perhaps there is another way to share. Perhaps individual cities in the same region could each be home to a different type of orchestra. Each would have a different mission and a different product. Not every city has to have an orchestra capable of playing Mahler. Each orchestra could have something unique to offer, and the market for each would be expanded. The point, of course, is to structure the product so that it responds in some realistic way to potential audience demand.

Fourth, should orchestras continue to focus so heavily on performances before live audiences? If your experience is like mine, we have glimpsed what the future has in store for us when we look at how some of our friends or our children provide for their entertainment needs. Through technology, many of them have built magnificent entertainment centers at home. With high definition television just around the corner to accompany the VCR's, the CD players, and the tape decks, and with other technologic wonders yet undreamed of, can we continue to rely so exclusively on live performance as our preferred medium? Should we not learn something from the sports industry? Media-based sports entertainment has not only enlarged the live sports audiences in stadiums and arenas around the country, it has increased exponentially the revenue base for the industry. Clearly, many fundamental provisions of the agreements between orchestras and players would have to change. But change they must.

Fifth, how much longer can American orchestras remain all-white, upper class institutions? There is a reason why our audiences are all white. It is because only 3% of our trustees and 2% of our players are black. Go to a performance of the Alvin Ailey Company or the Dance Theatre of Harlem and the experience is very different. Where an arts organization is truly representative of people of color, when people of color are on stage, there is a multi-cultural audience, even for what is often regarded as an elite European art form. And, painful as it might be, orchestras will have to acknowledge that they have established class and social barriers in their governance and volunteer structures that exclude people who are not white people of means. Orchestras can no longer afford to do this. Even those who may not believe it is just plain wrong to be exclusionary in this way should be forewarned that orchestras cannot continue to capture the public and private philanthropic dollar if their organizations are not truly integrated. Funders are simply losing patience.

Which leads to a sixth question: when will orchestras take a more active role in the long-term development and training of players of color? Orchestras spend immense efforts and dollars on educational efforts directed at exposure and enrichment programs when their real distinctive competence may be in nurturing and training people of talent and promise for careers in the field. Orchestras should learn from dance companies where people like Elliot Feld (in New York) and Bruce Marks (at Boston Ballet) are finding talented young people of color in elementary schools and providing the specialized training and apprenticeship opportunities required to turn them into professional ballet dancers. It is an investment in the performers. But it also turns out to be an investment in multi-cultural audience development and, in many cases, an investment in the community.

And while we are on the subject of education, here is a seventh question. Why are orchestra education programs so inconsistent with current educational and learning theory? For two decades, educators have told us that simple exposure programs are not enough, that they do not leave a lasting mark on students. So why is the dominant

currency orchestras still use to foster an appreciation of music to bus kids in to their halls, give them a concert, and bus them out again. In my opinion, based on what I have been able to research about orchestra education programs, it is a sad fact that the most innovative program offered in the United States in the recent past was provided not by an American orchestra but by Simon Rattle and the City of Birmingham Orchestra from England. "The Revolution of Expression: 1913, 1914, and 1915" was not only a series of three concerts by the orchestra in several cities focussing on critically important years in the history of music. It was also a comprehensive high school curriculum that touched on history, sociology, aesthetics, literature, and the visual arts. It involved cooperation between the orchestra and local institutions such as museums, theatre companies, ballet companies, universities and local public schools. And it used the orchestra as a centerpiece for an in-depth educational experience that even the most hard-boiled educator would acknowledge developed key basic skills.

This leads to my eighth question: why aren't orchestras taking a greater role in forging local institutional partnerships? These partnerships should be with other arts organizations, with schools, and with tourism, sports, and economic development interests. In this connection, happily, we do have some strong models in the United States including one in Kansas City where the Symphony is one of the lead organizations in the Arts Partners Program. That program views community-based arts education as a common challenge to be addressed together by major arts organizations, educators, and funders through a single program mechanism. But there are so many other ways in which orchestras -- with their extensive expertise and depth of professionalism -- could be primary technical assistance providers, marketers, and leaders for local arts organizations in their communities. And there should be more models linking orchestras symbiotically to those profit-making concerns that are in the entertainment and economic development businesses in their communities.

My ninth question touches on perhaps the most sensitive area of all -- the specific product we offer and how we package it. Why have orchestras not spent more time and effort making the concert-going experience more enticing to those who are not hard-core music lovers? Some orchestras have made a beginning, it is true. They are experimenting -- albeit cautiously -- with new formats, new curtain times, new educational and audience development techniques. But the experiments need to go further. Look at the impact of supertitles on the popularity of opera. Purists at the Metropolitan Opera may say it compromises the art form; but I, who spent fourteen years playing flute in the pit of the Goldovsky Opera Theatre and have listened to opera since I was a kid, love supertitles, and I believe that they may be the single most important thing to revitalize the art form in 50 years. And that is not all. Opera is an art form that has also been enlivened by very appealing new repertory about contemporary political themes and by performances and stagings by radicals like Peter Sellers. Where are the analogous models from the symphony field? One non-musician said to me recently: "We are such a visual society. When are orchestras going to get

smart and build a visual component into the concert-going experience?" Maybe it is a terrible idea. But we are not going to know unless we experiment.

My final question may be the most important. When will orchestras develop a collective decision-making structure that makes everyone a stake-holder in the industry's future? Everyone includes most especially the trustees, administrators, music director, *and the players*. Some people may answer this question with the response: "You could never do that. The players would never agree to it." This assumes that the relationship between the players and management -- a relationship that has operated in the industry over the last three decades -- cannot change. But I would argue that it must change if the industry is to survive. We need to reform the corporate culture of symphony orchestras. The players need to be part of the solution not part of the problem. This means bringing them into the decision-making apparatus at the most senior level. It also means that the combative stance on both sides needs to be refocussed. Orchestras must stop designing their decision-making structure like a firing squad in the shape of a big circle.

Conclusion

I want to take the liberty of ending this talk on a personal note. The future of symphony orchestras in America is something I care very much about. My own history and that of my family is wrapped up with orchestras, and it is probably fair to say that my very existence is partly the result of an orchestra. You see, my grandmother, the violinist Lea Luboshutz, managed to help along the engagement of my mother to my father at a reception after she soloed with the Philadelphia Orchestra in 1932. My grandmother got a good review that night; so, apparently, did my mother since my parents were married six months later.

My uncle and aunt, the duo-piano team of Luboshutz and Neminoff, made a career soloing with American orchestras and firmly believed that these cultural institutions were primarily responsible for spreading an appreciation of classical music throughout the United States. My brother and I both soloed with the Philadelphia Orchestra as youngsters; but more importantly, we received an incomparable music education on the top tier of the Academy of Music where every Saturday night, for \$2, we could hear the classical repertory played magnificently by the orchestra. Even my aunt and uncle's dog, who went by the name of "Vodka," made a brief appearance with the orchestra on the Academy of Music stage, albeit unintentionally, when a stagehand inadvertently opened the door of the soloist dressing room.

No one believes in the traditional concept of an orchestra as much as I do. No one has benefitted more. And no one hopes more fervently that the great tradition can survive and that orchestras can once again assume the undisputed pre-eminent position they once held in the American cultural landscape. But, ironically, if that is to happen, then

orchestras must begin to redefine themselves. This research on the financial condition of orchestras is clear. It tells us that the orchestra industry is probably not just caught up in a brief economic downturn. We are living in a fundamentally new society with new definitions of culture, recreation, education, philanthropy, and a new set of presumptions about the role of the arts in communities. All of these things will shape the financial context for orchestras in the future. We can ignore these realities, but we do so at our peril. We can take our chances, go about business as usual, and hope that things will turn around. But that will be a dangerous course. I would prefer to think that all of you, leaders in the orchestra industry, will display the courage and the vision to shape a vital future for orchestras and be in the vanguard of change. That is the challenge. The rest is up to you. Thank you.

**RESPONSE TO PRESENTATION BY DR. THOMAS WOLF
"THE FINANCIAL CONDITION OF SYMPHONY ORCHESTRAS"**

Presented at the 1992 Conference of the
American Symphony Orchestra League

Deborah Borda
Managing Director, New York Philharmonic

My first reaction to Tom Wolf's paper and statistics was frankly that of depression. Sadly, beyond the projected bad news there was little affirmation of the history of positive accomplishments, the important, enriching work of our art, or of our ability to change. This I feel is an oversight, but a natural mistake reflecting a profoundly American crisis of confidence as we enter the last decade of this century.

Yes, we are in trouble, and life-threatening questions are posed to our symphonic world. It seems we aren't destined to be snuffed out in the immediate drama of a cataclysmic explosion, but instead may have started on a long, progressive drive to the edge of a cliff. The truth is that, because we are so busy arguing with the other occupants of the car, or so distrustful of their goals, we aren't using the maps available to show us alternate routes. Besides, while the precipice is on the map, it hasn't come into clear view. Denial, on a number of levels, remains an alternative.

And while the problems outlined by Dr. Wolf are terribly real and troubling, we should remind ourselves that our story is a reflection of a national condition -- economic, moral and, in the end, human.

If we turn to this nation's economic condition, we face a similar grim litany of statistics providing a graphic measure of the transformation which has occurred in this country. For much of our lifetime, the U.S. was the greatest creditor nation in the world. In the last decade, we became the world's greatest debtor and in doing so sacrificed the capacity of investing in our future, both technological and human.

We exist in a society that derived its strengths from a fundamental unifying vision of the positive aspects of American democracy and the possibilities it provided. Today, we experience an increasingly fragmented society of special interests where pluralism is celebrated and pushed to a point of crippling our ability to function with a unity of national purpose and resolve.

So is it any surprise that orchestras are in troubled times? Welcome to the United States of America, as the 20th century sputters to a close.

And please take note of the position some people think is our place in today's society, when the Bush Administration prepares a massive blueprint document on the future of Education in America and doesn't even mention the arts, much less music.

Welcome to America in the next century.

In New York, a frightening number of the city's major, established cultural institutions are just completing a year where their annual funds will not grow by 2, 3 or 4%. No, they will not even remain steady, but for the first time in their boards' collective memory, will actually shrink.

Welcome to America in 1992.

So, as the car heads towards the cliff, we need to first remind ourselves that we basically have control of a vehicle which has many choices for action. Then we must ask, "How do we chart a different route?" The Wolf paper provides avenues for discussion.

There are many mechanical, financial and technical questions we could address in the Wolf report. There are certainly a number of points where one could question the use of or interpretation of his statistics and some of his commentary, knowing full well that some were posed with a twinkle in his eye. I'd like to come around at the issues from an entirely different perspective than the numbers. Numbers are only the result of what we really need to be talking about.

Let's begin with the question of the future, and our investment in it. When you work for the oldest orchestra in America, and when each day you pass the portraits of past Music Directors like Mahler, Toscanini and Bernstein, you feel the weight of history in both a positive and negative sense. And when you think back to parallel occurrences in U.S. history at the respective times they led the Philharmonic, you can point to positive occurrences in America. There was an investment in our future: the building of new factories and assembly lines, the construction of a great public works infra-structure, a public education system of real substance and effect. Money was invested to make not just better products but a better life. The results made America the envy of the world. And the leader.

Again, our industry is a mirror of our nation. Who now has the resources to develop those new products and machines or, in our case, audiences for the future?

Actually, many of our orchestras are making a try. Next year the Philharmonic will invest in several new series that will present concerts at new times, of varying lengths, and in different formats. In a Rush-Hour Series, Casual Concert Matinees, Philharmonic Celebrations (which are essentially mini-festivals) and Children's Promenades -- a hands-on interactive learning experience for children, we are investing in attracting new audiences.

This year we inaugurated Philharmonic Forums, a sort of "free for all" where we threw open Avery Fisher Hall to the public, put the Music Director and Managing Director on the stage, and placed microphones in the audience for a real question and answer series. We wondered if anyone would show up. We needn't have worried.

We played a free public concert of an unabashedly pacifist work, the Britten War Requiem, on Memorial Day weekend in a supposedly deserted city at an uptown church. We turned away more than 3,000 people.

Yes, these projects cost something to develop and stage. And, yes, we will run a significant deficit. But no, our ticket sales aren't declining as they have been, and the Philharmonic is looking at playing 96% of house capacity next season. And, yes, people in New York seem genuinely interested, excited and engaged by these activities as they reflect the New York Philharmonic and music.

The paradox is that this has cost more money and will not pay off on an immediate financial basis. But the truth is that, like other American orchestras, we were losing ground and running deficits anyway. Instead, we will try to turn those "losses" into investments, and pray that we made the right ones. What is clear to me is that we can't keep doing "business as usual." Change must be in the air.

But for my part I would like to now move to the final and to me key question poised by Dr. Wolf: "When will orchestras develop a collective decision-making structure that makes everyone a shareholder in the industry's future?"

Therein lies the first and crucial step. The "Holy Deadlock" that exists today between most boards, orchestras and staffs must be broken. If we can't find a more productive way of working together toward genuine change, we will eventually drive off that cliff. For any of the valid issues and questions posed by Wolf to be addressed so as to create meaningful change in our industry, we must begin to consider some fundamental changes in our governance functions. We must create a new protocol.

I recently read an article in The New York Times about the doctrinaire United Electrical Workers Union. The Union is making headlines because of its absolute opposition to any kind of joint management/workers committees. They feel that any dialogue with management is only opening the door to concessions from the workers, and that on a fundamental basis workers and management do not share the same goals.

As a long-time advocate of musicians' memberships on boards and in the policy-making process, it made me think about the challenges we are facing at the New York Philharmonic as we make only the very first steps toward investing the musicians as bonafide shareholders in the institution.

Perhaps you know that, as a result of the collective bargaining process last year, we instituted an "experimental" Cooperative Committee consisting of 4 players elected by the Orchestra, the Music Director, the Managing Director, 2 senior staff members and, at this time, no Board representative. The basic purpose of this Committee is to increase communication through the sharing of substantive information, much of which deals with the artistic and planning process; to provide a forum to deal with concerns before they become contractual issues, but not to deal with contractual issues; and to have a place to discuss and form a consensus about long-range policy issues. We are at the start of the process, so I can't report on its success or failure, except to say that it represents only a "baby step" toward finding an effective working union between musicians, boards and staff. I know that other orchestras have initiated similar groups.

The relationships of musicians to the institutions which employ them are defined and colored by the results of the collective bargaining process which has left them, in my own personal opinion, both victors and victims of that process. The atmosphere of conflict, threatened confrontation and contention has achieved immediate goals of financial and job security, and has addressed true grievances. Gone are the days when Madame Koussevitzky could sit observing a rehearsal of the BSO, inform Serge of who was "not trying hard enough," and have a pink slip on their stands the next morning. However, it is fair to question whether certain of these gains can continue to grow or even be sustained long-term. More importantly, one could question whether it has set the musicians to the side of these institutions and defined their roles as "workers" rather than artists and enfranchised participants in the vital governing process.

I worry for us all when a genuinely good person sits across the bargaining table and seriously says: "If you pay us more, then we'll play better."

Or, when a real leader in the orchestra looks at the floor while talking with you and says, "I have a strong opinion about that, but I'm not allowed to express it."

Or, when an orchestra is forced to leave a rehearsal 60 seconds before a piece is concluded because there is no provision for double overtime or grace periods in the contract.

These are responsible, committed people. This hurts them and belittles them, but it is a derived and developed response from a lack of trust in shared goals and communication.

What has been created are adversarial roles -- an "us against them." And may I pause here to say that this is by no means simply the musicians' problem. Boards of directors and managements have played their assigned role when they resisted providing basic information, resisted involvement in the decision-making process, or when they favored a "showdown" to dialogue because they didn't believe that through slow and difficult work the same goals could be agreed upon -- as well as a way to reach them.

A fascinating exercise would be to form three representative groups -- one from the orchestra, one from the board, and one from management. Send them to separate rooms, and ask them to write down what they think the other groups think about them. Try this exercise for yourself and with any imagination or experience you will have outlined the core of the problem we must solve.

The musicians think the Board thinks, "All those musicians care about is getting paid more money for working less, and they don't really care about much else." The Board thinks the musicians think, "That Board should just be able to go out and raise more money, but they won't because they're lazy and don't understand music." The Staff thinks that both the musicians and the Board think there are way too many of them sitting around reading the newspaper, writing job descriptions, and creating the deficit we're all suffering from.

Now, let's step back from this for a moment and return to some of the very basic numbers Tom has put forth in his study in Table #5: "A Profile of U.S. Orchestras / Expense and Deficit Characteristics."

- While it is true that, on a percentage basis, the Development and Marketing numbers have clearly jumped the most...
- Administration and other expenses have held relatively steady.
- Most important, look at the real dollars -- not percentages -- and you will see that virtually 70% of total expenses are centered in the "Artistic" and "Production" costs.
- So it is a simple fact that the basis of any change will have to be directed to this area and, in fact, come from it.

If we accept these dire future forecasts, it is clear something has to change. There are two ways change can occur: One is by taking the drive over the cliff, and the other is the tough work of building real partnerships where all parties are enfranchised in the results.

Are boards and staffs willing to look at a new governing structure? I actually think we are fast approaching a time where genuinely well-meaning and deeply motivated people truly don't know what to do. If they were to give musicians board-enfranchised and meaningful policy-making responsibility, there would be a "quid pro quo," the musicians' participation in the bottom line responsibility for the institution.

We know that the few self-governing European orchestras which exist will work three services a day, seven days in a row if they need to. There is a simple reason for this: it is directly related to both their existence and that of the institutions for which they accept responsibility. Their decisions relate directly to themselves. There are no cushions.

This leads to a key point. The governance structure of the American orchestra has traded in the Esterhazy's for the American aristocracy of the corporate leader. Orchestra members voice a genuine frustration, disappointment, or even anger with board members, yet they depend on them to relieve them of the responsibility of having to ever make that decision about 3 services for 7 days in a row and pay the price. The beneficence of our boards and the power they wield as a result has in a sense incapacitated the musicians, who can then only express themselves in rebellion every three years at the bargaining table. To carry the equation further, for their largesse and hard work, the board has controlled the policies of the institution and harbors fears about involving a group which is not also required to take responsibility for the bottom line. And, as the bottomline appears grimmer and we work in an era where "managing scarcity" are the new "buzzwords," what a time to say, "Oh, yes, now we really do want you as equal partners!" To have a hope of making this work, we would have to in our hearts believe it was right.

Until we can find an agent of change that compels all the parties which comprise the working groups of a symphony -- orchestra, board and staff -- to form partnerships which allow them to work as a unit, I'm sorry to say that the valid points raised about the length of seasons, new venues, media activity, endowment campaigns, outreach, etc., cannot be addressed in a manner profound enough to make a difference. A new leadership and governance model for symphony orchestras may well be the first issue we need to address to deal with the thorny challenges that lie ahead. This will be hard, slow work.

It means being willing to go into a process without knowing what that model is and leading people to our imagined solution; it means being open and patient enough to discover that solution together. It means being truly convinced that the sharing of power is the right thing to do -- because it is right, not because we're afraid we're going broke.

In closing, I would like to put forward the notion that it isn't just our budgets that are out of balance. Frankly, it is our institutions and their style of governance which must struggle to evolve from a model rooted in 18th century Europe. A new protocol for leadership must be built and partnerships renewed for peoples who can truly be, in the end, defined by their similarities rather than their differences. The human spirit craves music.

The answers are there. I'm confident we'll find them. I'm confident there will be orchestras, but maybe not just as we've known them. Maybe better.

**RESPONSE TO PRESENTATION BY DR. THOMAS WOLF
"THE FINANCIAL CONDITION OF SYMPHONY ORCHESTRAS"**

**Presented at the 1992 Conference of the
American Symphony Orchestra League**

**John McClaugherty
President, West Virginia Symphony Orchestra**

By application of a number of the principles outlined by Dr. Wolf, the West Virginia Symphony Orchestra has become a genuine success story.

In 1982, the Orchestra was a metropolitan orchestra with a budget of \$325,000 and a significant deficit. Today, it is a regional orchestra with a budget of 1.4 million and a surplus. The turn around got into "high gear" with (a) the employment of a very organized and efficient Executive Director, Shirley Furry; (b) the employment of a dynamic, talented, personable and energetic Music Director and Conductor, Thomas Conlin, who is truly loved by all West Virginians and who enjoys marketing the orchestra; and (c) the establishment of a Board with vision, including the addition of young people as members.

During this ten-year period:

- (1) We have significantly improved the quality of the orchestra, and the regular classical subscription series has increased from five concerts to nine concerts with a pre-concert preview by Maestro Conlin before each concert.
- (2) One of those nine concerts is a fully-staged opera, with supertitles, wholly produced by the West Virginia Symphony Orchestra and conducted by Maestro Conlin.
- (3) Season tickets have increased from 1,700 to over 3,000 in a city with a population of approximately 60,000.
- (4) Sponsorships have increased from none to a sponsor for each subscription concert, including a "Super-Pops" concert.
- (5) Our annual fund giving has increased significantly, all under the leadership of our most capable Director of Development, Emily Papadopolis.
- (6) We have established an Endowment fund which has in three years grown to 2.2 million.

- (7) One truly big-name guest artist is presented each season, with one-half of his or her fee paid by a prominent Charleston family.
- (8) We have established a resident String Quartet - first the Charleston String Quartet, which left us to become the resident String Quartet at Brown University - and now the Montclair String Quartet. We have also established a Symphony Chorus of over 100 voices to present choral music as a part of the Symphony season.
- (9) We have employed two string educators who play in the Orchestra and who teach in the public schools. Let me add at this point that except for our Quartet whose members are four of the Principals in the Orchestra, and except for our two string educators, the rest of our members are contracted with on a per-service basis, but the overwhelming majority play each and every concert.
- (10) A united arts fund has been established, called the Fund for the Arts, which solicits funds from businesses for 11 arts organizations and whose contribution to the West Virginia Symphony Orchestra this year was \$125,000.
- (11) We have become a part of the Sternwheel Regatta, a very large ten-day outdoor festival on the Kanawha River with a sternwheel race, country-western stars, and rock music. Over 200,000 people attend and Alabama or another similar group will open the week, but the last night features the West Virginia Symphony Orchestra and a massive fireworks display.
- (12) We have moved from a one-year contract with our musicians to a three-year contract, with wage increases which have generally kept pace with or exceed inflation.
- (13) Most importantly, we have a league of 300+ women, the West Virginia Symphony League, which has developed to the point where it can out perform any comparable organization of its size anywhere. Helen Thompson said it best in 1963, and I quote:

"'Give me six women, a bag of cookies and a box of tea and you'll have your symphony orchestra,' according to Samuel R. Rosenbaum, a great, good friend of orchestras, member of the Board of Directors of the Philadelphia Orchestra, and Trustee of the Recording Industries Music Performance Trust Fund.

Symphony Women's Associations are indispensable -- one of the finest inventions of the orchestra world. Their

history is illustrious. Their service to music is invaluable. Their devotion to orchestras is incredible.

The interests, activities and services of symphony women's associations are myriad. They soothe the troubled brows of orchestras throughout the land, and the next day or hour are capable of launching an aggressive, militant attack on any real or imagined foe of the orchestra. They create money where none exists. They invent ticket purchasers and audience members. They educate, entertain, cajole, insist, threaten, wheedle, buy, borrow, give, work, worry, plot and plan -- as long as it's for the orchestra.

Transcending all of this, they have unshakable conviction that music and the orchestra are vital in their lives and, therefore, equally vital in other people's lives. They have a wondrous abiding faith that somehow the way can be found to do what is needed to serve the orchestra. Time after time, city after city, season after season, crisis after crisis, they prove that they are right."

Last weekend, Symphony Sunday, once honored by the American Symphony Orchestra League as the outstanding volunteer project of the year, became a three-day event with a military tattoo, drum and fife corps, the U.S. Army Band and culminating with a concert by the West Virginia Symphony Orchestra under the stars. Fifty committees were involved in the planning and execution of this major event.

- (14) In this same ten-year period, we have developed, in the words of Dr. Wolf, a venue for performances over the state and region and not in just one concert hall. This season the West Virginia Symphony Orchestra will have given more than 30 concerts, including concerts in 14 other cities, and student enrichment concerts to approximately 12,000 students. In 1989, in celebration of our 50th anniversary, we toured the state and ended with a performance in Washington at the Kennedy Center where a piano concerto commissioned by the West Virginia Symphony Orchestra was played by the West Virginia Symphony Orchestra and Garrick Ohlsson. We have also established a second home in Parkersburg, West Virginia, where we repeat three or four of our subscription concerts each year.
- (15) As suggested by Dr. Wolf, we have used technological innovations. The Regatta concert involves very large movie screens, and live cameras project the Orchestra on the screens as the Orchestra is playing and is being heard live, so that the very large audience can see the players "up close."

- (16) Our Young People's concerts have developed into a partnership with our public schools. Each year, the West Virginia Symphony League prepares elaborate booklets about the music for use by the students and lesson plans for the teachers so that the students come to the concerts fully prepared for an exceptional learning experience.
- (17) Subscription concert performances by the West Virginia Symphony Orchestra and the Montclair String Quartet are recorded by West Virginia Public Radio (WVPR) for broadcast on all WVPR stations. In recent years, West Virginia Public Television has produced two one-hour concert specials featuring the Symphony's "Opening Night," which showcased the Orchestra's 50th Anniversary Concert produced in 1989 and aired over all West Virginia Public Television stations. In 1991, West Virginia Public Television spent three days videotaping our annual Young People's concerts to produce "Symphonic Wonder Works." That program was aired during evening hours for home viewing as well as in morning hours to facilitate classroom instruction. In May of this year, Symphonic Wonder Works won first prize in the category of best music video/state concert performance at the 25th Annual Houston International Film and Video Festival.

With respect to governmental funding, the West Virginia Symphony Orchestra would not have been able to expand its venue were it not for funding by the state arts agency, the West Virginia Arts Commission. Local groups desiring to have the West Virginia Symphony orchestra in their community or city only have to raise about 25% of the costs, the other 75% of the costs being funded by the Arts Commission. On a per capita basis, West Virginia is 12th in the nation in state funding of the arts. The West Virginia Symphony Orchestra also received a grant from the NEA which was increased over the last two years.

In the language of Dr. Wolf, we have been successful in part because we have not marketed in a single venue; we have not produced more product than our audiences desire; we have formed partnerships with businesses, families and the schools; and we have used technological innovations. By pre-concert previews, supertitles with our opera, the Regatta concert, and Maestro Conlin speaking over the region, we have made our programs more enticing to those who are not hard-core music lovers; and we are embarking upon a series of luncheons with all of our musicians to discuss our mutual concerns.

Let me make two further observations in conclusion.

First, our program has been successful because we have not had growth for growth's sake, but growth to meet the demand and our growth has been planned both artistically and financially. Our cultivation of audiences and donors has been a total program of cultivation from pre-concert previews before each subscription concert to backstage

receptions to recognition events. We do not start a new program unless it is funded. In a public opinion survey this year, the West Virginia Symphony Orchestra and our local University were listed as the most admired entities in the Kanawha Valley where Charleston is located.

Second, the key to turning around the picture nationwide, as presented by Dr. Wolf, is arts in education. As Harold M. Williams, President of the J. Paul Getty Trust, said on October 3, 1991:

"The most vital stages in the history of any society are marked by a flourishing of the arts."

Unless our students learn about the arts in school, we cannot expect them to have any concern about the importance of the arts when they are elected to state Legislatures and to the Congress. In Japan, during nine years of compulsory schooling, all children receive a high quality, well-balanced education in the three "R's," science, music, and art. It should not be surprising that the Japanese out strip us in many ways.

The time to act about arts in education is now. Do your part now.

**RESPONSE TO PRESENTATION BY DR. THOMAS WOLF,
"THE FINANCIAL CONDITION OF SYMPHONY ORCHESTRAS"**

Presented at the 1992 Conference of the
American Symphony Orchestra League

Peter Pastreich
Executive Director, San Francisco Symphony

There are two things that generally mean you're in trouble: a book with a principal character whose initials are J.C., and a talk which includes a new paradigm. Nevertheless, the American Symphony Orchestra League has done us all a service by asking Dr. Wolf and his organization to review orchestra financial statistics, and Dr. Wolf has presented those statistics and his analysis admirably.

Many of Dr. Wolf's report's recommendations are based on the application of sound business principles to our not-so-businesslike operations. Now, although the business side of Orchestras resembles the business side of business, orchestras are not like most other businesses. We have more in common with a baseball team, university or church than we have with a department store, automobile manufacturer or hotel. Let me suggest two essential differences.

In every case, orchestras were founded by musicians who wanted to perform music - because music was their life, their passion, and the only thing they could or would do. These musicians soon discovered that they could not earn a living from music without boards of directors, managers, concert halls, marketing and development departments and the rest of the paraphernalia which now makes us resemble the businesses we aren't. And which now gives us the illusion that we, the managers, are employing musicians to earn money and avoid deficits. Nothing could be further from the truth, as we discover whenever the going gets tough; of the thousands of orchestras that have existed in this country during the last century - through a depression, two world wars, numerous recessions and hundreds of consultants' reports - only a handful have perished, and those mostly to rise again. Compare that to the mortality of airlines and restaurants and you will know that the same rules do not apply.

The other way we are different is in how we measure success, or how we should measure it. Success for us is in the creative process - encouraging the composition of a musical work and bringing it to performance. Our "product" is the emotional, intellectual and spiritual result of bringing artists and public together. Money is necessary for all this, but to evaluate the health of orchestras based on their supply of cash is like evaluating the health of universities based on the supply of beer. Important, yes, but not essential.

Let me give you an example of an inappropriate application of "business" thinking to the orchestra world. The report asks whether the industry can afford a continuation of the decline in its share of the philanthropic arts dollar. Now, when GM loses 30% of its share of the market to Ford, there is cause for alarm. But when we lose 30% of our share of total private arts philanthropy? Total private arts giving increased 1,090% in 10 years while private giving to orchestras increased only 705% over that period -7% annually over inflation. During that period new art forms have developed, government support for others has been withdrawn, and new donors with specific interests have appeared. For the orchestras to maintain their "market share" they would have to get a piece of everyone's action. That's Wall Street, not 57th, or 64th, street.

We do have a critical financial problem. The orchestras are spending more than they are taking in, and if they don't stop doing that soon there will be some disrupted seasons and lowered living standards for musicians and administrators. But the situation is critical, not serious, and music will survive. What we don't need to do is to allow the financial problems which have developed from overoptimism, poor management and admirable generosity to drive us to "solutions" which are worse than the problem. What we do need to do is balance our budgets: take in more money and spend less. And continue to be an innovative, living force on the American cultural scene.

That said, I would like to consider briefly the ten questions posed in the report, and suggest that some other answers are possible.

1) How viable is the full-time 90 to 100-piece orchestra?

It's been pretty viable for well over a century, but 120 to 140 musicians would be better. That would enable us to do more chamber music and chamber orchestra and more educational outreach. We need 80 or more musicians to perform the orchestral repertoire, which is after all our main function. If our baseball team were in the red would we be talking about fielding 6 players? If an orchestra is in the red, it should think about adding 20 musicians, paying everyone less, and replacing the music director.

2) Should orchestras continue to market their wares primarily from a single venue?

Yes. An orchestra's sound is what is reflected from the surfaces of its hall, and its ambience is the colors, textures and space of that hall. Deciding to play in a less good hall is like deciding to play with less competent conductors and musicians, or on inferior instruments; it runs contrary to our reason for being.

(I certainly endorse sending chamber orchestras and chamber ensembles to outlying communities and taking the orchestra to good halls in areas clearly too remote for patrons to drive to us.)

Equally important: we are not here to make a quick buck by following the latest marketing or demographic trends. We have a moral obligation to help preserve the central city, which is the heart of urban life, and an obligation to be part of its regeneration and growth. If we abandon the city and its people and surrender to the suburbanization of America, we are surrendering any hope of America as a civilized nation.

3) **Can orchestras continue to produce more product than their consumers want?**

Certainly, although we do need to develop some more consumers. This question is based, I think, on two incorrect assumptions. The report states that the number of concerts we play has been established by collective bargaining rather than by audience demand. It was by neither. When the subject of concerts comes up, musicians bargain for fewer, not more, of them. And if we wait for audience demand, we won't be playing at all. The musicians want to be paid year round because they want to eat year round. We ask them to play more concerts in return. How many concerts should we play? What the market will bear, plus what is musically necessary, plus what will serve our communities, plus one.

The other assumption is that an increase in the cost involved in selling tickets is a reason to decrease our service to music and the community. The big city subscriber of 1972 bought a 24-concert series; today's subscriber buys a 6-concert one. This is bad because it costs as much to sell a short as a long series and we have to sell four times as many short ones to fill the hall; it's good because four times as many people are experiencing the joy of our music. When a church considers its missionary activities, might it not consciously choose to work in areas where the cost per convert is highest?

The report offers one other answer to the question about too much product; orchestra mergers. If you are interested in this, try doing a realistic budget for the theoretically merged orchestra, including the increased costs for travel between the cities and the decreased income from municipal and private sources motivated by civic pride, and try drafting a union contract you think you will be able to negotiate with the new orchestra. But if that's too much trouble, just try imagining what it is that you will be able to offer the 80 to 100 musicians who lose their jobs in the merger to get them to remove their picket line from around the hall of the new "merged" orchestra.

4) **Should orchestras continue to focus so heavily on performances before live audiences?**

Absolutely, unless they are the Vienna Philharmonic. Commercial television has been around long enough for it to be clear that there is no place on it for us, unless we can devise a way to add a laugh track to our performances. Home video and national public television is so expensive to do, and the demand for anything but porn so small, that it

will inevitably be monopolized by a few big name orchestras and artists. Two important opportunities do exist: For the larger orchestras the weakness of the dollar and the unions' awareness of economic hard times may put us, for the first time in many years, in a position to compete seriously with the European orchestras in the compact disc market. And we must find a way to regain this market, since the vast majority of the music our public hears is on c.d.'s in their homes and cars, or broadcast over their radios, and we cannot afford to have another generation grow up believing that the great orchestras of the world are the Academy of St. Martin-in-the-Fields and the Berlin Philharmonic - followed closely by the Boston Pops.

The other opportunity is in radio, and much is already being accomplished here. The vast majority of orchestras employing professional musicians do at least local radio broadcasts, a dozen orchestras are nationally syndicated, and the concerts of several are carried internationally. My orchestra is heard every week on over 200 radio stations. Radio is such an opportunity for us because it is the mass medium which is best adapted to our art form and because for the most part we are still able to negotiate arrangements for doing it with our own musicians and local unions.

5) How much longer can American orchestras remain all-white, upper class institutions?

We have never been upper-class institutions. We serve mainly the upper middle class. Many of our programs serve working class and lower middle class people as well, and some, though not enough, of our board members are upper-class. What we do will always appeal mainly to the educated, and the educated will always be middle or upper-class, so the challenge we really have is to reach out to the very large number of middle and upper-class people of color. I do agree with Tom Wolf that much more must be done to integrate our boards, staffs, and orchestras. Some more targeted marketing to the minority communities, particularly group sales to groups of friends who will experience the Symphony together, is well worth doing. A large part of the women in our weekday matinee concerts came to us that way.

The report states that "Funders are simply losing patience" because our organizations are not truly integrated. This does not seem to me to be the case. In my experience, most of our funders are fully aware that symphony orchestras are the most totally equal opportunity employers in America, and that an orchestra position is perhaps the best paying position that a person of color, a gay or lesbian, or a woman can get purely on the basis of experience and performance, without even having to submit a letter of recommendation or undergo a personal interview.

Our most difficult challenge is to bring African Americans onto our stage as orchestra musicians. Which brings me to the sixth question.

6) When will orchestras take a more active role in the long term development and training of players of color?

The Music Assistance Fund, under the auspices of the NY Philharmonic, has helped to bring Black musicians who are conservatory and music school-trained into professional orchestras. But two years ago we were told that there were fewer than 100 Black musicians studying orchestral instruments in all the conservatories and schools of music in this country. If they all get orchestra jobs, it won't make a dent in the problem. The orchestral musicians of today must have begun to play string instruments 20 years ago and their wind and percussion instruments at least 10 years ago. This means that we must identify elementary school children of color who have musical talent now, help them to get expert instruction and ensemble experience, and encourage them to consider the orchestra profession. The San Francisco Symphony has such a program, including a splendid Youth Orchestra with a large minority contingent, coached by a dozen members of the Symphony and conducted by our Associate Conductor. Similar programs exist in Boston, Los Angeles and other cities; more must be done.

7) Why are orchestra education programs so inconsistent with current educational and learning theory?

I agree that busing kids to a concert a year is inadequate. Nor is that all that most of us are doing - I hope. The San Francisco Symphony has a program called Adventures in Music, supported by a National Endowment for the Arts challenge grant, which includes teacher training, an integrated curriculum, performances and talks by five different ensembles, and performances by the Orchestra in Davies Symphony Hall. We are very encouraged by results so far, and encouraged to see other American orchestras doing similar programs.

8) Why aren't orchestras taking a greater role in forging local institutional partnerships?

Strong partnerships exist between orchestras and school boards, universities, opera and ballet companies, concert halls, corporations who sponsor tour and other events, parking and transportation agencies, facilities for the senior citizens and the disabled and many other local institutions. But here we should learn from businesses: a stronger partner whose basic interests differ from yours is worse than no partner at all.

9) Why have orchestras not spent more time and effort making the concert-going experience more enticing to those who are not hard-core music-lovers?

Dr. Wolf's example gives away how difficult this will be to accomplish. In over 300 years virtually the only innovation opera could find to make were supertitles - an innovation ignored by our most important opera company and necessary only because the

innovation of singing in a language Americans can understand is still too radical for most companies.

The ways we can change the musical experience, without perverting it, are very limited. I'll give you one, which is worth further thought: when we perform at Bill Graham's Shoreline Amphitheater, an outdoor facility seating 18,000, 3 huge television screens are hung, one above the orchestra's heads and the other two at the front of the lawn area. Two hand-held video cameras broadcast to these screens close-ups of the conductor, soloists and musicians. Although I am not altogether convinced that a close up of a spit-valve being emptied enhances my experience of a Rossini overture, I would like to see more experimentation with this idea in concert halls.

Most of the other concert enhancements at which we should be working are more what we in San Francisco call "value-added:" more convenient parking and public transportation, better food and drink available before concerts and at intermission, cleaner and more beautiful concert halls, better printed programs and notes, earlier and later starting times, pre-concert lectures and chamber music, an occasional encore at the end of a non-tour concert, post-concert discussions and social events.

10) When will orchestras develop a collective decision-making structure that makes everyone a stake-holder in the industry's future?

This question has been so fully and perceptively dealt with by my colleague Deborah Borda, and indeed by Tom Wolf, that further words from me are unnecessary.

American orchestras are in a financial crisis. The speakers today have suggested many ways for us to deal with that crisis. In the short run, we will have to reduce costs, including some adjustment of salaries and benefits to meet the present economic realities and, in the larger orchestras, some bringing of healthcare costs into line. And we will have to increase income, which may involve hiring more and better development staff and more concentration on larger gifts.

But we must keep the big picture in mind, and we must remember who we are. The consultants make charts based on our financial data, take the lines leading from the past to today and extend them to the future. That may be all right for business, and it may be all right for consultants, but it is not all right for orchestras. What if Beethoven had written only the first 50 or so measures of the "Eroica," leaving it to us to extend them to the end of the piece? What makes us creative artists, and creative artistic administrators, is not our ability to extend the lines, but our ability to bend them to conform to our vision. The present financial crisis represents one more opportunity for us, if we use it well - the opportunity to emerge as leaner, stronger, more flexible, more united and more exciting institutions. I believe we will.