

Social Enterprise Paradigm

Master's Capstone

By

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Presented to the Arts and Administration Program
University of Oregon
in partial fulfillment of the requirements for the
Degree of Master of Science
in Arts Management
December 2007

Approved: _____ Date: _____

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Abstract

Within the complex arts socio-economic landscape, questions arise regarding sustainability for the nonprofit performing arts sector. Increased professionalization in the field, technological advances, mounting competition for available resources, and increased globalization, necessitate the development of alternate strategies addressing sustainability for the performing arts. This research will explore Social Enterprise and introduce the phrase *Social Enterprise Paradigm* as impetus for sustainability of the performing arts.

Key Words

Social Enterprise Paradigm, Social Enterprise, Social Sector Business

Acknowledgements

I would like to acknowledge my Capstone Research Advisor, Dr. Lori Hager, and the Arts and Administration Faculty, Staff, Students and Alums at the University of Oregon with heartfelt gratitude. Special thanks to my family Phillip and Carol Stacy, Jerome Kelly, and to members of communities where learning never ceases.

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Education

Sept. 04- Dec. 07

University of Oregon Eugene, OR
Master of Science/ Performing Arts Management
Nonprofit Management Certification

- Developed professional experience and understanding of theories, issues, and skills needed in the fields of Performing Arts Management and Nonprofit Management.

Aug. 96-May 00

University of Kansas Lawrence, KS
Bachelor of Arts/ Psychology

- Developed strong analytical, organizational, communication, and people skills.

Professional Experience

Aug. 05-Present

Hult Center for the Performing Arts/City of Eugene Eugene, OR
Usher

- Serve as a host to visitors at Hult Center lectures, events and performances.

Sept. 07-Present

Eugene Symphony Orchestra Chorus Member Eugene, OR

- *Carmina Burana*, Nov. 15, 2007

Sept. 06-Dec. 06

Eugene Concert Choir Eugene, OR
General Manager

- Handled day-to-day office management duties.
- Served as representative of the choir in interactions with professional affiliations such as Hult Center Resident Company Manager Meetings.
- Supervised staff and volunteers to carry out choir business.
- Arranged for Concert support including presentation bouquets, donor/sponsor recognition and selling ECC merchandise in the lobby.
- Maintained a complete calendar of performances, events, pending deadlines, meetings, etc.
- Maintained database of records of donors, choir members, mailing lists, etc.
- Assembled elements for each concert and auction program.
- Attended Board of Directors and Executive Committee meetings as an ex-officio Board Member
- Provided research and information utilized to receive grant funding.
- Organized fundraising mail campaigns.
- Coordinated donor recognition events including pre-/post concert dinners and receptions.
- Managed fundraising events including annual auction.
- Fulfilled marketing duties involving ad media, print, internet and radio.
- Collaborated on design of marketing materials with the graphic artist.
- Cultivated relationships with media contacts.
- Wrote copy for marketing materials including ads, PRs, and PSAs

Professional Experience

Dec. 04-Jun. 06

University of Oregon's Cultural Forum Eugene, OR

Performing Arts Coordinator

- Selected, budgeted, negotiated, scheduled, and booked both artists and venues.
- Graphic Design/Marketing PR Activities: designed, developed and distributed programs and marketing materials: banners, posters, fliers, coupons, word of mouth strategies, newspaper press releases, ads and stories, radio underwriting, as well as online with webpage listings and email campaigns.
- Grant Writer, National Dance Project Grant, NEFA and TourWest, Arts Northwest, in support of presenting Viver Brasil Dance Company featuring Afro-Brazilian dancing, live drumming, music and cultures. Both grants were funded.

2006 spring projects:

- Harlem Globetrotters (McArthur Court)
- Jeff the Balloonman, Willamette Valley Folk Festival (Cuthbert Amphitheater)
- Pendulum Aerial Dance Theatre's *Crimson Cabaret* (Soreng Theater, Hult Center for the Performing Arts)
- *Somei Yoshino Taiko Ensemble* (Erb Memorial Union Ballroom)
- *Somei Yoshino Taiko Ensemble* Meet and Greet (Multicultural Center)
- *Somei Yoshino Taiko Ensemble* Taiko Drumming Workshop (Erb Memorial Union Gumwood Room)
- Tears of Joy Puppet Theatre, *Coyote Tails*, Willamette Valley Folk Festival (Cuthbert Amphitheater)

2005 fall projects:

- *Dave Chappelle* (McArthur Court)
- Keep the Promise, a Drag/Burlesque Show Supporting World AIDS Day (Erb Memorial Union Ballroom)
- Legends of Bulgarian Wedding Music with Ivo Papasov and Yuri Yunakov (Agate Hall)
- Gypsy Dance Instruction preceding *Legends of Bulgarian Wedding Music* (Agate Hall)
- *Meriwether Petting Zoo*, a student sketch comedy troupe at Intermingle, the welcome to campus kickoff event (Erb Memorial Union Fishbowl)
- *Wednesday Words of Art*, a performance art based series featuring original plays, spoken word poetry and performance art (Downtown Initiative for the Visual Arts)

2005 spring projects:

- Dell'Arte Theatre Company, *Shadow of Giants* (Lord Leebrick Theatre)
- Lecture by Remedy, whom *Shadow of Giants* was based (Erb Memorial Union Amphitheater)
- Video screening of *Struggle in the Woods*, actual video footage of events (Ben Linder Forum)
- *Gamelan Sari Pendhawa featuring Wayang Kulit - Shadow Puppetry* (Agate Hall) including a post production question/answer session and audience interaction and participation with instructions and invitations to play instruments and puppets.
- Harlem Globetrotters (McArthur Court)
- Mbira Workshop, Kutsinhira Cultural Arts Center, for the Willamette Valley Folk Festival (Erb Memorial Union Fir Room)
- Pat Graney Company, *the Vivian Girls* (Soreng Theater, Hult Center for the Performing Arts)
- Pat Graney Lecture, *Keeping the Faith*, a dance project for incarcerated Women (Studio One, Hult Center for the Performing Arts)
- Pat Graney Lecture about her works and career (University of Oregon's Art and Gender Course)
- Second City Comedy Troupe in the 45th Anniversary Tour (McDonald Theater)

- Professional Experience**
- Nov. 01-July 04**
Russell Stover Candies Lawrence, KS
Assistant Manager
- Administrative Assistant duties included: creating databases tracking daily sales per hour, candy kitchen sales, ice cream sales, greeting card stock, typing business correspondence, and filing.
 - Daily accounting reports, accounting bookwork, AM and PM Audits, and made daily cash deposits and general cash handling duties.
 - Managed and supervised employees.
 - Trained employees on opening and closing duties.
 - Developed and implemented the *Daily To Do List* indicated necessary daily chores and promoted personal responsibility for tasks performed.
 - Developed *The Coffee Slinger's Workbook*, or *Barista in an Instant*, and trained employees to use the Espresso Machine and make Espresso Drinks, and developed Espresso Drink recipes.
 - Experienced taking inventory, and placing orders for Candy Stock, Ice Cream, Coke Products, Greeting Cards, Office Supplies, Candy Kitchen, and Store Supplies.
 - Designed in store signage and coupons.
- Feb. 99-Dec. 00**
University of Kansas Lawrence, KS
Research Assistant, Volunteerism Project
- Promoted the development of organizational skills.
 - Entered and verified large volume of data.
 - Tracked several longitudinal studies.
 - Administered multiple surveys (experiments) to beginning Psychology students.
 - Helped create and maintain several Excel Spreadsheets.
 - Utilized SPSS statistical analysis in order to compute survey data.
- Summers of 95, 96, and 97**
Southwestern College Winfield, KS
Horsefeathers and Applesauce Summer Dinner Theater
Publicity Co-Supervisor
- Co-Designed programs and advertising for *Will Rogers Follies* and *Cabaret*
- Props Designer & Supervisor**
- Selected, prepped, and placed props prior to curtain
- Company Member**
- A typical day involved attending company meetings, tech work, rehearsal, tech work, another rehearsal, serving dinner, performing, and tech work prior to bed.
- Community Activities**
- June 05-Present**
Downtown Initiative for the Visual Arts (DIVA) Eugene, OR
Media Arts Committee, OpenLens Film Festival Jury Coordinator, Intern
- Learning about visual arts, gallery management, and operations
- Dec 97, Sept. 99, Jun. 02, Sept. 03, Feb. 04**
Lawrence Community Theatre Lawrence, KS
- Nicely-Nicely Johnson, *Guys and Dolls*
 - Motel the Tailor, *Fiddler on the Roof*
 - Man #2 (Kevin), *My Way ... A Musical Tribute to Frank Sinatra*
 - Nicely Reprise, Lawrence Community Theatre and Lawrence Rotary Club's *Sweetheart Soiree* and *LCT Volunteer Appreciation Night*.

Honors and Activities

- Non Traditional Student Award recipient in recognition of contributions to the arts community, 2006 University of Oregon
- Charter Member, Association of Fundraising Professionals, University of Oregon Chapter
- Member National Honor Society
- 2 time recipient of the National Choral Music Award
- 2 year member Kansas Music Educators' Association State Choir
- 4 year member Kansas Music Educators' Association District Choir
- 3 semester member University of Kansas Vocal Jazz Ensemble
- Winner of the Oldies 95 Karaoke Contest in Kansas City and recipient of 2 round trip tickets to Orlando, Florida, and \$500 towards the Hotel
- 4-year recipient of 1st divisional ratings on all vocal solos performed at Regional and State Vocal Music Contests
- Best Actor Award recipient *Into the Woods*
- Best Supporting Actor Award recipient *Carousel*
- Recorded on *Ram in the Thicket* Soundtrack as a vocal soloist and chorus member
- 3rd Place Freedom of Democracy Essay Competition
- 2nd Place Bearden's Stained Glass Competition, Beginner Category, Lamps
- Studied Piano for 9 years

Theatrical Experience

Performing experience includes: Lawrence Community Theatre- *Sweetheart Soiree*, Man #2 (Kevin) Reprise; *My Way, A Sinatra Review*, Man #2 (Kevin); *Fiddler on the Roof*, Motel the Tailor; *Guys and Dolls*, Nicely-Nicely Johnson; Horsefeathers and Applesauce Summer Dinner Theater- *The Will Rogers Follies*, Wrangler Quartet; *Cabaret*, Chorus; *Me and My Girl*, Suit of Armor/Chorus; *The Secret Garden*, Fakir; *To Kill A Mockingbird*, Townsperson; *The Sound of Music*, Friedrich Von Trapp; *Oliver*, Artful Dodger; Mid America Artists' Showcase- *Ram in the Thicket*, King David; Music Theatre for Young People- *Good News!*, Pooch Kearney; *Bye Bye Birdie*, Maude/Reporter/Chorus; *S.T.A.R.*, Nicely-Nicely Johnson; *The Sound of Music*, Rolf; *Jesus Christ Superstar*, Peter the Apostle; *Broadway Lights for the Holidays*, Bobbie; *Annie Get Your Gun*, Chorus; *Oliver*, Charlie Bates; Arkansas City High School- *Into the Woods*, Baker; *Carousel*, Mr. Enoch Snow; *H.M.S. Pinafore*, Sir Joseph Porter; *The Boyfriend*, Bobby Van Husen; *Arsenic and Old Lace*, Mr. Spenalzo/Understudy; *The Crucible*, Thomas Putnam; 7 Days of Broadway- *The Music Man*, Winthrop; *Johnny Appleseed*, Johnny; *Li'l Abner*, Marryin' Sam; *Fiddler on the Roof*, Sasha/Chorus; *42nd Street*, Frankie/Doctor; *Carousel*, Chorus; Adams Elementary School- *Psalty's Christmas Calamity*, Psalty; *The Electric Sunshine Man*, Chorus; *Good Ol American Music*, Chorus; Arkansas City Drama Club- *Hansel and Gretel and the Cookie Machine*, Hansel.

Dedication

Epiphany of an Arts Administrator

Thank you Margaret Matson & Mollie Favour for your unique artistic vision and skill from 1982 still admired and enjoyed by many 25 years later. This story begins with a question regarding how Arts Administrators efficiently operate within the local political environment, by asking community members' opinions. In fact, I may have asked for your perspective in my attempt to understand this very perplexing issue.

Hardly did I realize an inspired artistic vision from 1982 would contribute to finding the answer. I cannot credit the artists alone; this epiphany was a collaborative effort, results from the combined contributions of many people: friends, family, colleagues, coworkers, classmates, professors, local and (inter)national professionals. To the accumulated amalgamation of inspired individuals contributing to my understanding of one possible answer to a potentially inflammatory topic that most are passionate and opinionated about (politics), I would like to express my humble and sincere gratitude for this epiphany, a result of our combined efforts together.

Personal thanks to Sharon Fox, a coworker who was able to put it into words for me during intermission at Eugene Ballet Company's production of *Carmen*. So thanks also go to Eugene Ballet Company: staff, instructors, performers and students, and ALL the individuals at the Hult Center- staff and the audience.

Thanks also to Downtown Initiative for the Visual Arts (DIVA): staff, artists, instructors, clinicians, donors, volunteers, patrons and visitors, your actions and efforts have not been ignored. No matter who you are, what organization you work for, or what your title is, arts advocacy takes place everywhere; we may not realize the significance of our individual roles, at the time it occurs, or ever. And, like the works of art and artists who create them, each with the potential for providing different and subjective inspiration somehow dependent upon the viewer's own personal perspective and combined experiences, it takes the combined efforts of all of us working together, as individuals and collectively advocating for the arts. I hope everyone will consider our arts advocacy roles seriously enough to encourage arts participation, active citizenry unafraid to stand up, champion the causes we believe in passionately enough to inspire, and encourage other like minded individuals to do the same. I believe in the power and value of the arts as inspirational, creative, abstract, (sometimes) fun vehicles capable of providing shelter and respite from the mundane world as colorful (or not) beacons of hope. Yes, I'm referring to the same piece of art that can also manage to piss off everyone else!

Back to the epiphany: Sharon made a comment about the irony one can find in the Silva Hall Curtain, the 25 year old work of artistry, a single piece of artistic vision many still enjoy and appreciate today. Isn't it ironic the subject matter of the curtain is a vexing topic, the thorn in the sides of many area gardeners struggling to get rid of them, physically and/or chemically: a Blackberry vine?

It didn't occur to me at that moment, but reflecting upon what Sharon said, suddenly it clicked. Arts Administrators roles within a political landscape: it's not specifically about any single item (though it can be). It's also a more figurative, abstract role. We, as Arts Administrators represent art. The path traveled to get there is another story. Just know it can be more fun and possibly more effective to encourage discussion about the works of art, or reactions to art. Escalating costs, difficult legal maneuverings, issues of accessibility on all levels.... Suddenly Arts Administration is sounding more and more like the vines in my yard that keep sprouting up everywhere, crowding out everything else, and no matter what I do or how hard I try, they return.

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Introduction to Study

This research will look at changes occurring in the performing arts. Globalization has made the business world a little smaller with interconnections spread throughout the information superhighway. Suddenly business can be conducted with customers in virtual locations. Organizations utilize technological advances to increase market potential. Such advancements often accrue additional expenses and other costs. Computers, audio/visual technology, and special effects quickly contribute to growing expenses. Increased growth opportunities for some organizations translate to increasing competition for others. Adaptability is a crucial skill responding to the complex operating environments encountered by performing arts organizations today. However, change can be tricky and can affect business sectors in different ways. Business environments are in constant motion and entrepreneurial ideas may provide competitive advantages.

A myriad of issues can be identified in the performing arts, which contribute to the current economic conditions of the arts and entertainment sectors. This research addresses the development of hybrid nonprofit/for-profit business structures, exploring how *Social Enterprise* suggests an alternative model for sustainability of the performing arts. Competition between organizations and financial matters that affect the for-profit and/or nonprofit status of performing arts organizations are significant challenges facing performing arts organizations today. Competition faced by performing arts organizations today occurs externally within the sector as organizations compete with other organizations within the business

environment. Competition simultaneously occurs internally within performing arts organizations themselves as organizations identify new ideas and strategies to increase efficiency and contribute to sustainability. This can be observed, for example, as multiple nonprofit organizations compete not only with other nonprofit organizations and for-profit businesses, but also compete for participants from a shared audience base. Organizations at the same time compete with themselves for strategic positioning to increase continued sustainability.

This research includes a literature review addressing the historical evolution and financial developments in the performing arts sectors. Resources for this study include journals, newspapers, magazines, books, course text books, and online sources. Courses at the University of Oregon's Arts and Administration Program and the Planning, Public Policy and Management, Nonprofit Management Certification Program, have contributed to this study. A "Readings and Conference, Entrepreneurial Nonprofits" course taught by Renee Irvin Ph.D., and the Oregon Symposium for Entrepreneurial Nonprofits (OSEN) also contributed to this study. Recommendations from presenters at OSEN relevant to developing organizations utilizing hybrid business models and applying the *Social Enterprise Paradigm* have been included in this study. Knowledge from AAD 510, Performing Arts Administration taught by Patricia Dewey Ph.D., utilized textbook *Standing Room Only* by Kotler and Scheff (1997) referenced in this study, and facilitated the introduction to Capital Hill Arts Center (CHAC) in Seattle. CHAC is included as one of two specific examples of performing arts organizations utilizing hybrid

business models. CostumeRentals, LLC is another hybrid performing arts example included in this study.

Problem Statement

Problems associated with economic sustainability of performing arts organizations are pervasive. Performing arts organizations are challenged with increasing gaps between expenses and revenue. Solutions must be found to prevent further erosion and decay of the nonprofit performing arts sector. Literature suggests current trends indicate increased linkages between nonprofit and for-profit sectors (The American Assembly, *Deals and Ideals*, Final Report, 1998), and the distinction between nonprofit and for-profit organizations is blurry (*Fourth Sector Network*, 1998 and GrantWise, 2000). Morino (2006) suggested the issue is a matter of semantics:

There is also confusion created by specific applications of the term, for example, *organizational* effectiveness or *program* effectiveness. Stereotypical comparisons such as nonprofit vs. for-profit, mission-driven vs. financially-driven; use of best practices, or the notion of nonprofits being "run like businesses" serve to take the dialogue even further off track. The irony of these discussions is that they are simply not "effective;" they are debates over words, semantics rather than issues (Morino, 2006, Chairman's corner: Effectiveness: An elusive and difficult concept, ¶ 3).

With similarities between for-profit and nonprofit organizations increasing, locating unified empirical data necessary for scientific inquiry to form conclusions

and comparisons between organizations and across research groups remains a challenge exacerbated by overall lack of cohesion. Kaple (2002) explained how the effects of categorical distinctions between the terms *for-profit* and *nonprofit* parlay into difficulties encountered by researchers: "The available data, they reported, were not always accurate, were often not comparable across organizations, and were not sufficiently comparable over time for changes to be detected and interpreted." (Kaple, 2002, p. 1594)

Kaple (2002) pondered, "When obtaining data on arts policy, should one distinguish between the contribution of for-profit and not-for-profit organizations, and to what extent is such a distinction (which may in any case obscure real institutional differences) relevant for policy making?" (p. 1595).

On the surface the distinction between nonprofit (public) and for-profit (private) seems clear: one side makes money while the other side makes art. But such distinctions easily serve to distract attention from other areas, for example similarities and commonality shared between groups. Idiosyncrasies can be identified for all, and the decision regarding for-profit or nonprofit economic structure is subjective. Nonprofit models have the legally mandated fiduciary responsibility which requires attention devoted to finances, combined with the complexities of maintaining public purpose and keeping activities in line with mission statements. Tess Collins (2003) indicated, "The financial work of a manager can be the most important aspect of the job. While there is a philosophical belief that theater is about art and entertainment, it is also about money." (Collins, 2003,

p. 149) William Mason, general director of the Lyric Opera of Chicago said, "You can't have artistic integrity without financial integrity." (Higgins, 2003, p. D1)

Financial matters are crucial to the arts regardless of public or private designation.

The issue at hand is sustainability of the performing arts, regardless of the economic structure, for-profit or nonprofit, utilized to produce art.

Research Questions

How can hybrid organizational models contribute to sustainability of the performing arts? What contribution to hybrid economic models regarding the sustainability of performing arts organizations does Social Enterprise suggest? What is Social Enterprise? What is the *Social Enterprise Paradigm*?

Significance of the Study

This research will explore the development of hybrid organizational models, and their contributions to the sustainability of the performing arts. Literature suggests changing business trends, and differing terminology between nonprofit and for-profit groups, makes comparisons across the multiple sectors difficult. This research will consider the potential benefits for the performing arts utilizing a hybrid organizational structure referred to as Social Enterprise. Finally this research will further suggest the Social Enterprise Paradigm.

Methodology

This research addresses the economic sustainability factors for the performing arts and suggests a hybrid business structure referred to as the Social Enterprise Paradigm. An exploratory approach was utilized for this capstone,

synthesizing literature addressing topics related to economics of the performing arts, together with knowledge obtained at the University of Oregon's Arts and Administration Program and the Graduate Certificate in Not-for-Profit Management Program. The literature review includes a historical overview of the economics of the performing arts, together with a contemporary perspective indicating significant organizational changes currently taking place in the field. Implications for sustainability of the performing arts will be identified by looking at two case studies exploring two related yet distinct examples of hybrid business models and the performing arts. Knowledge from the Oregon Symposium for Entrepreneurial Nonprofits (OSEN) has been included for suggestions and recommendations addressing specific areas for consideration and attention for the development of entrepreneurial nonprofits.

Literature Review

Economics and the Performing Arts, a Brief Historical Overview

Economics surrounding the performing arts sectors have historically been challenging. Baumol and Bowen published *Performing Arts: The Economic Dilemma* (1966), which helped to explain the predicament within a new economic framework describing the phrase *cost disease*. Briefly, a play produced in 1700 would take as many actors to perform today as it did then. Labor hours remain the same despite technological advances, and twelve actors cannot be replaced by one. Considering cost of living increases have driven the cost of labor up, this in turn causes an elevation of production costs, which is then offset by increased ticket

prices. So producing the same play today will cost significantly more than it did in 1700.

Arthur Dirks (2005) provided an economic history of the performing arts, indicating, "The collapse of the entire commercial theatre was brought about, ultimately, by three major problems: growing cost, growing risk and growing competition from movies" (Dirks, 2005, ¶ 5). Dirks' timeline indicated that the Theatrical Syndicate in 1880s, and the Shubert's in 1920, created monopolistic holdings by controlling bookings for theatres, setting up circuits and tours making it uneconomical for outside productions to negotiate, operate, and travel city to city. Production costs nearly tripled between 1913 and 1928. Other factors such as competition from less expensive movies negatively impacted attendance at more expensive and possibly questionable 2nd rate touring productions through 1940 (Dirks, 2005).

Kotler and Scheff (1997) indicated arts then sustained rapid and persistent growth, assisted in the 1950s by W. McNeil Lowry, as director of the Ford Foundation's Office of Humanities and the Arts, which funneled millions of dollars of capital financing into the infrastructure of arts organizations. In 1965, Lyndon Johnson authorized the creation of the National Endowment for the Arts (NEA). Philanthropic activities significantly increased between 1955 and 1990, from \$15 million to \$500 million from foundations and corporations (Kotler & Scheff, 1997, pp. 5-6). Increased contributed revenue led to increased promotional activities justifying expenditures for building new and larger performance spaces. During the

1980s, nonprofit arts organizations faced escalating expenses and stagnant audiences leading to an economic recession, cuts from government funding sources, and increased competition for contributions between growing numbers of organizations. During the mid 1990s, continued declines in governmental, state, and local support affect arts organizations. Grant funders, especially government agencies and foundations now often designate grants only for specific purposes, leaving less funding for general operating support. Corporate financial support often pushes arts organizations to take on leaner, more business-oriented approaches. Results of funding cutbacks and increased restrictions threaten sustainability for arts organizations. After a period of unprecedented growth, Kotler and Scheff (1997) indicated that nonprofit performing arts organizations face crises on multiple fronts (p. 6). Proliferation from the mid-1960s to the mid-1980s increased the number of performing arts organizations, the size of their audiences, and the level of contributions (Kotler & Scheff, 1997, p. 9). Many arts organizations displayed newfound affluence in more elaborate productions, larger management staffs, and new performance facilities with more seats to fill (Kotler & Scheff, 1997, p. 10). Lifestyle changes, cutbacks in arts education in schools, decrease of available leisure time, and the desire to pursue less expensive forms of entertainment are leaving arts organizations struggling to sustain mission and quality:

The main problem creating stress for Nonprofit Performing Arts organizations today is that while enjoying three decades of sustained growth they overinvested in fixed expenses....According to some estimates, the

Performing Arts industry as a whole is attempting to function at a level 30 to 50 percent beyond the capacity of its available resources. Managers and boards of directors today are saddled with organizations and budgets too big to manage, and they are struggling to manage change (Kotler & Scheff, 1997, p. 10).

Current Trends in the Performing Arts Sector

Pogrebin (2007) reported in the *New York Times* about adjustments arts organizations make in response to declining contributed revenue. For example, the Altria Group Inc., parent company of Philip Morris, contributed over \$210 million to cultural groups during the last four decades (Pogrebin, 2007, ¶ 1). But the philanthropic giant is now reducing arts and cultural support. The Giving USA Foundation, an educational and research program of the American Association of Fundraising Counsel, estimates that philanthropic contributions for arts programs has dropped by more than half over the last 10 years (Pogrebin, 2007, ¶ 3). Declines in contributed revenue are not the only effect. Contributions increasingly have strings attached, possibly a result of financial support derived from marketing budgets, leading to an increased desire for reciprocity between partners. For example, a six figure lead sponsorship (sometimes called gifts) from corporations like Time Warner translate in part to including the Time Warner Logo on 160,000 festival brochures, 150,000 season brochures, 400 subway posters and 5,500 bus ads (Pogrebin, 2007, ¶ 6).

Schwinn (2001) chronicled the Atlanta Arts Coalition's experience addressing current economic challenges. News of budget cuts were met with the belief the sector was already struggling to sustain itself, and further cuts would potentially erode core services. Administrators struggle to attract new resources, and invest in more time composing grant proposals. One lucrative idea was selling half price tickets on the day of the show which can potentially generate \$1 to \$5 commission per ticket sale, amounting to \$30,000 annually. Another idea was the development of an online ticketing system, capable of allowing users to book hotels, rental cars, restaurant reservations and theater tickets all at one convenient location.

For-Profit or Nonprofit

For-profit or nonprofit organizational status depends upon individual variables. Doug Bechtel, President of the Actors Theater of Orcas Island reflected on the many legal issues for nonprofit theatrical organizations and the benefits of nonprofit status. Bechtel (2007) reported that nonprofits are multifaceted, and nonprofit does not necessarily mean not making a profit. Many companies do not make profits, which does not make them a nonprofit. Generating profit (margins) does not make you for-profit either as nonprofits can generate margins too. And the IRS is very specific about nonprofits and how margins are spent requiring that no profit may go to the benefit of the nonprofit organization's members. Profits must be reinvested within the organization to further charitable purposes. The IRS will closely look at an organization's compensation rates for questionable practices. For example, if an organization has an income of \$30,000 and pays the President of the

Board \$20,000, it will look questionable (Bechtel, 2007, The IRS and Community Theaters section, ¶3). The IRS will also look at sources of revenue. The IRS determines how much public support (contributed revenue) an organization receives. No problem if most of the income is from ticket sales to the public. The IRS will pay close attention to individuals donating 5% or more of the annual income, especially if the individual is also an officer, employee, or on the Board of Directors (Bechtel, 2007).

Bechtel (2007) also reported that benefits associated with nonprofit organizations include organizational exemption from paying Federal Income Tax, reduced postal rates, and others that may vary by state. Some states offer exemptions from certain sales and property taxes. Many grants are only available for nonprofits designated 501(c)(3) status, and some significant donors require nonprofit status to insure their donation will go to the public good, eliminating potential problems on their tax return. Some nonprofit organizations may be exempt from federal copyright regulation. And finally, donors may receive a deduction on their income tax provided they did not receive any benefit in return for the donation (Bechtel, 2007).

Kotler and Scheff (1997) elaborated about the government's potential response to the increased business activities found in the nonprofit sector:

As arts organizations attempt to increase earned revenue with restaurants, shops, and other profitable ventures, small businesses are lobbying against not-for-profit business competition. As a result, the government is examining

ways of increasing the nonprofit enterprises' exposure to income taxes—an effort that is likely to result in tax payment on some earned income (p. 12).

Jones (2007) reported in the *Chicago Tribune* that Broadway in Chicago, a commercial for-profit entity, touts its strengths, such as the 1.5 million audience members who contribute \$650 million annually to the Chicago economy, and who spend \$75 million at restaurants alone and rent 500,000 room-nights in downtown hotels. In return, Broadway in Chicago believes they should receive the same tax breaks and employment incentives as provided by the City of Chicago and the State of Illinois to encourage Hollywood producers to film in the area. At issue is the disparity that similar benefits and incentives are not offered to the city's live commercial theater business. Jones (2007) reported millions of dollars of public funds were utilized to restore the historic theaters in the Loop that are operated by Broadway in Chicago: "'This has been money well spent,' [Chicago Mayor Richard] Daley said, citing the survey's claim that Broadway in Chicago supports 7,500 Chicago Jobs" (Jones, 2007, Same Needs, Benefits section, ¶ 4).

The economic dilemma Baumol and Bowen (1966) described is still experienced by performing arts organizations today with pervasiveness unaffected by simple solutions like passing additional expense to the consumer. In sum: USA post IRS 501(c) 3 tax codes, the nonprofit field proliferated. Over time, the market economy has become saturated, causing many organizations to question continued sustainability. Multiple factors, including increased competition for funding from the common donor base, have lead to the erosion of contributed revenue streams

that are crucial funding mechanisms. Facing prospects of debt and closure necessitates the formulation of new ideas, strategies, and sustainable operational models for the performing arts.

Stevens & Grover (1998) wrote that the commercial entertainment industry is developing increased business strategies in response to the challenging economic environment. The trend of adopting basic business tactics commonly used by corporate America, including more rigorous cost-cutting, layoffs, more sophisticated market research, and the formation of strategic joint ventures to provide increased financial support are just a few of the aggressive strategies observed today (Stevens & Grover, 1998, p. 3). Partnerships are forged, and many utilize off-balance-sheet financing making profits look stronger (Stevens & Grover, 1998, p. 3). Stevens and Grover (1998) reported other cost effective strategies include control of talent costs and maximization of all revenue streams (p. 5). For some major entertainment conglomerates, revenue maximization involves the creation of multiple business outlets, including new record labels, movie studios, broadcast and cable networks, theme parks and online opportunities (Stevens & Grover, 1998, p. 1). All of these new business ventures created to generate revenue also generate new expenses which must be paid for in the long run:

And they're spending huge sums to do so, believing that only the glitziest and most star-studded offerings stand a chance of drawing more than fleeting notice in this cacophonous environment. It's a brutal battle, especially as audiences fragment amid the flurry of competing choices. Notes Booz, Allen &

Hamilton Inc. media consultant Michael Wolf: "There is such a tremendous glut of product out there, as well as this need to keep spending more and more to exceed the quality standards established by other producers," (Stevens & Grover, 1998, pp. 1-2).

Consumers and/or donors are left to pay the bill for additional expenses. Ray Waddell (2003) reported about challenges associated with simultaneously meeting both audience and artists expectations while remaining within tour/production budgets:

"It's all about giving value for the money," observes Brad Wavra, VP of touring for Clear Channel Entertainment (CCE) and promoter of such production-heavy tours as Paul McCartney, 'N Sync and Chef. "If an artist is smart and uses [production] properly, it's just an enhancement to the concert experience. The downside is there can also be a lot of waste and self-indulgence." (Waddell, 2003, p. 1).

This creates a challenge of balancing audience expectations and perceptions of value with considerations to total cost of attendance, says Waddell: "Kids today have grown up with special effects, and, when the lights go down and the curtain drops, it's not just about audio anymore. They want a visual experience," (Waddell, 2003, p. 1).

Competition between organizations is increasingly challenging. However this has not prevented the forging of creative symbiotic partnerships. Ben Cameron (2006), former Theatre Communications Group Executive Director, reflected on the

interesting commercial/nonprofit relationship and the implications of nonprofit theatre and Broadway in the article *On Writers and Their Whereabouts* (Cameron, 2006). Cameron indicated the professional nonprofit theatre sector over time has proliferated, and both the nonprofit and commercial sectors continue to evolve and mutually benefit from each other. Cameron reported the nonprofit theatre sector has developed winning productions from Broadway, and Broadway has developed new works gestated in the nonprofit theatre (Cameron, 2006).

One problem is unequal distribution of public support and benefits, including tax breaks and employment incentives between local and (inter)national participants who seemingly offer similar products or services. And while some data may highlight a one sided perspective, other data may provide a more inclusive overall perspective. An example is the Hubert Research (July 2006) *Creative Vitality Index State of Oregon*: "The Creative Vitality Index (CVI) is an annual measure of the health of the arts-related creative economy in a specified geographic area. In the CVI, an area's creative economy is defined as including for-profit and nonprofit arts-related creative enterprises and the key support and service activities that sustain them" (Hubert Research, 2006, p. II). CVI provides an inclusive template by measuring across for-profit and nonprofit sectors.

Nonprofit or for-profit organizational structure requires an objective assessment of individual circumstances. This distinction can significantly impact the availability of benefits like tax breaks and availability of public funding and

support. Significant consideration and attention is needed to address the decision regarding for-profit or nonprofit status.

Development of Social Enterprise

Bill Strickland, whose background includes, "4 Grammys, a dozen honorary degrees, appointments to the National Council on the Arts, and The President's Committee on the Arts and Humanities," described changes taking place on the economic horizon (Webber, 2001-2007, <http://www.maketheimpossiblepossible.info>, ¶ 2). In the article *Genius at Work*, Strickland said:

Nonprofits have to recognize that they're businesses, not just causes. There's a way to combine the very best of the not-for-profit, philanthropic world with the very best of the for-profit, enterprising world. This hybrid is the wave of the future for both profit and nonprofit companies (Terry, 1998, p. 170).

Advancements occurring concurrently within organizations and their respective operating environments facilitate dynamic changes leading to the creation of unique entities that seem to straddle the for-profit/nonprofit fence; new hybrid organizations blending concepts and ideas between multiple business perspectives. Dees, Economy and Emerson (2001) indicated systemic global changes occurring as organizations pursue sustainability. "Heightened concerns about the effectiveness of traditional governmental and charitable approaches to meeting social needs," has influenced the development of innovative solutions contributing to organizational sustainability (Dees, Economy & Emerson, 2001, pp. 12-13). Dees et al. (2001) reported new market-based approaches and businesslike methods in

the social sector combined with other factors have facilitated, "A new, more engaged and strategic approach to corporate involvement in social and community issues," as observed through governmental contracting with both for-profit and nonprofit providers (pp. 12-13).

Dees (1998/2001) continued in the paper, *The Meaning of "Social Entrepreneurship"*:

In the face of this new reality, an increasing number of forward-looking nonprofits are beginning to appreciate the increased revenue, focus and effectiveness that can come from adopting "for profit" business approaches. Increasingly, they are reinventing themselves as social entrepreneurs, combining "the passion of a social mission with an image of business-like discipline, innovation, and determination..." (Dees, 1998/2001, p. 1).

Social Enterprise

In light of current business trends, which indicate changes taking place throughout the business environment, new terms and definitions are needed to more accurately describe the present scenario. In the book *Migrating From Innovation to Entrepreneurship: How Nonprofits are Moving Toward Sustainability and Self-Sufficiency*, Jerr Boschee (n.d.) defined *Social enterprise* as any organization, regardless of for-profit, nonprofit, hybrid or other organizational structure, utilizing earned income strategies in pursuit of a double or triple bottom line (Boschee, n.d., as cited in the Institute for Social Entrepreneurs web site, 1999-2007, Toward a better understanding of social entrepreneurship: Some important

definitions, ¶ 17). Boschee (n.d.) indicated Social Enterprise may be a separate social sector business, "or as part of a mixed revenue stream that includes charitable contributions and public sector subsidies." (Institute for Social Entrepreneurs, 1999-2007, ¶ 17) Boschee also defined *Social entrepreneurship* as the double bottom line in pursuit of both financial and social returns on investment (Institute for Social Entrepreneurs, 1999-2007, ¶ 19). However, in the paper *Legal Structure Issues in the Development of Business Ventures*, Brad Castel (2001) defined *Nonprofit Corporation* as having attributes of a for-profit corporation, with the primary difference in legal restrictions prohibiting nonprofits from distributing revenue to private individuals (Castel, 2001, p. 2).

These two definitions seem to be very similar in nature. However, Bochee's definition appears to define the scenario in terms similar to mission statements, concepts nonprofit organizations are quite familiar. Castel's definition appears to define nonprofits with legal perspective, and combines *Nonprofit* with the term *Corporation* that can also influence the overall definition and perspective.

The model and definitions Bochee addressed accounts for business and legal elements by defining *Social sector business* as, "A business designed to *directly* address a social need and simultaneously make a profit through earned income alone, regardless of whether it is structured as a for-profit or nonprofit entity." (Institute for Social Entrepreneurs, 1999-2007, ¶ 20) Bochee (n.d.) also defined the *Triple bottom line* as a pursuit of return in investment in three areas:

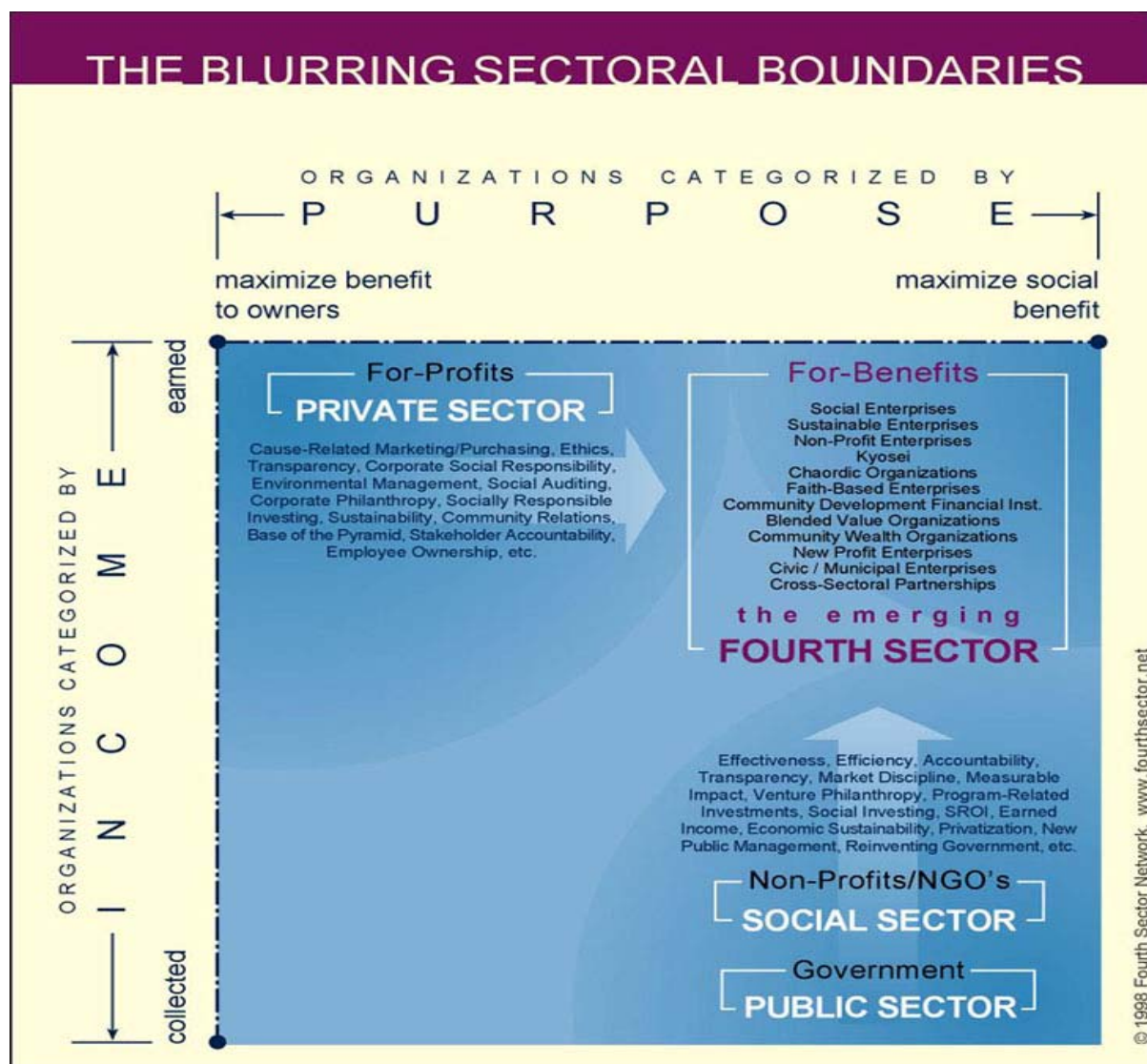
environmental, financial and social (Institute for Social Entrepreneurs, 1999-2007, ¶ 22).

The Illinois Facilities Fund, Capacity-Building Digest #3 (1999) referred to *social entrepreneurship* as a strategic approach for nonprofits yielding financial sustainability by combining business models together with organization or program mission statements. Specifically, social entrepreneurship helps increase efficiency, combine resource development and financial planning as a central activity, develop creative organizational structure and alliances, identify new earned income opportunities aligned with the mission, and redefine the mission in context of market research (*Illinois Facilities Fund, Capacity-Building Digest #3*, 1999, p. 5).

Research indicates changing trends occurring throughout multiple business sectors: government, for-profit and nonprofit. Because these sectors all operate within the same global environment, developments found in one sector may not be freely shared with another. Different sectors develop terminology that is either accepted or rejected. For example, the *Fourth Sector Network* (1998) proposed that blurring boundaries between public (government), private (business) and social (non-profit/non-government) sectors facilitated the emerging Fourth Sector model, also referred to as the For-Benefit Sector (*Fourth Sector Network*, 1998), "There are a wide variety of other Fourth Sector models and approaches, bearing different names and emphasizing or embodying different aspects of the For-Benefit model." (*Fourth Sector Network*, 1998, The Emerging Fourth Sector section, ¶ 1). Table 1 illustrates the convergence of multiple sectors leading to the development of

organizations with hybrid business models. The *Fourth Sector Network* (1998) describes hybrid business models as an emerging *FOURTH SECTOR* or *For-Benefits* to include *Social Enterprises, Sustainable Enterprises, Non-Profit Enterprises, Kyosei, Chaordic Organizations, Faith-Based Enterprises, Community Development Financial Inst., Blended Value Organizations, Community Wealth Organizations, New Profit Enterprises, New Profit Enterprises, Civic/Municipal Enterprises*, and *Cross-Sectoral Partnerships* (*Fourth Sector Network*, 1998, Table 1).

Table 1



(*Fourth Sector Network*, 1998, Retrieved November 25, 2007, from <http://www.fourthsector.net>)

Entrepreneurial Nonprofits

Oregon Symposium for Entrepreneurial Nonprofits (OSEN)

The Oregon Symposium for Entrepreneurial Nonprofits (OSEN) addressed the development of for-profit or nonprofit organizations with hybrid business models based on social enterprise. OSEN occurred June 18-22, 2007 at the University of Oregon. OSEN, **"provides resources to public and nonprofit sector organizations interested in developing social enterprises (also called earned income ventures) or learning new business skills."** (Oregon Symposium for Entrepreneurial Nonprofits, 2005, from <http://oregonsen.svdnp.us>). My introduction at OSEN facilitated a significant re-envisioning of this research. OSEN presenter Terry McDonald, Executive Director of St. Vincent de Paul Society of Lane County, proposed considering business in the simplest sense; regardless of organizational structure, for-profit, nonprofit, or hybrid, a business is either open or closed. Suddenly, I realized sustainability is crucial not only for the performing arts sector, but for the gamut of organizations and business. And, similar to sustainability, any organization, regardless of for-profit or nonprofit designation, performing arts or otherwise, can utilize a hybrid business model based on social enterprise. The Oregon Symposium for Entrepreneurial Nonprofits provided assistance making the development of social enterprises possible.

OSEN- Recommendations to Consider

Recommendations for the development of Social Enterprises were addressed by presenters at OSEN who indicated the primary challenge is the ability to directly tie the mission to business and income. If this is not possible, and the business idea remains lucrative, it is suggested that entities proceed, pay the unrelated business taxes and generate the income.¹

OSEN presenter Renee Irvin (2007, June 19-20) addressed financial development, indicating the challenge is persuading reluctant stakeholders and making the case through research and communication. Discussion included information of endowments (true/quasi) and reserves; budgets and accounting principles; determining the break even analysis indicating volume of sales necessary to equal total costs, the break-even point; and the importance of identifying direct, indirect, and overhead costs, and accurately accounting for these within the budget (Irvin, 2007, June 19-20, Available from Oregon Symposium for

¹OSEN presenters included: Julie Daniel, BRING Recycling, Introduction to Social Enterprise; Susan N. Gary, Ph.D., University of Oregon Professor of Law, Associate Dean of Academic Affairs, Nonprofit Legal Issues; Anne Forrestel, M.S., M.B.A., University of Oregon Senior Instructor of Business, Entrepreneurial Marketing; Renee Irvin, Ph.D., University of Oregon Associate Professor, Developing a Business Plan; Financial Development and Management; Rebecca Larson, Community Resources Manager, St. Vincent de Paul Society of Lane County, Community Asset Development: Fundraising, Public Relations and Volunteer Management; Terry McDonald, Executive Director, St. Vincent de Paul Society of Lane County, Introduction to Social Enterprise; Betty Tamm, Umpqua Community Development Corporation, Introduction to Social Enterprise; Anne Williams, Housing Programs Manager, St. Vincent de Paul Society of Lane County, Community Asset Development: Fundraising, Public Relations and Volunteer Management; and Doug Wilson, M.B.A., University of Oregon Instructor of Business, Developing a Business Plan.

Entrepreneurial Nonprofits web site, <http://oregonsen.svdp.us>).

Irvin (2007) also addressed topical areas of financial management, reporting, and internal controls. Financial reports should indicate: what funds were used for, whether each expense was appropriate (donor intent/restriction), and what outcomes were achieved, both financially and socially. While different accounting practices and methods exist, fiscal reports should include the budgeted amounts, actual amounts, and variance between them. Variance reports should act as a trigger for further investigation (correction) mid year and year end, and will go into the annual report. Accurate reporting should occur as needed, typically monthly, quarterly, mid-year, and/or annually.

Irvin (2007) also indicated internal controls should be clearly defined and enforced throughout the process: staff should be properly trained in cash handling procedures; resources on hand, including cash and blank checks, should be locked in a safe; general revenue patterns should be monitored for fraud prevention; check authorization thresholds and protocol in place; separation of duties- authorizing, receiving, reporting; requirements for two signatures on checks; loan approval policy, etc. All transactions must be traceable with an electronic or paper trail. Financial development and fiscal management are issues all organizations must address, regardless of economic structure. Irvin (2007, June) provided a financial overview appropriate for novices and seasoned professionals together.

The next strategy proposed for the development of Social Enterprise involves both planning and significant research. Organizations must have vision about what

they want to achieve. Research must take place to more completely understand both internal and external environments. OSEN presenter Doug Wilson (2007, June) addressed business plan creation, indicating the significance and potential benefits of strategic planning. Beginning with an executive summary (abstract), business plans include company summaries covering mission statements, objectives, and product-service descriptions (retrieved 2007, July 1, Available from the Oregon Symposium for Entrepreneurial Nonprofits web site, <http://www.oregonsen.svdg.us>).

Wilson (2007) recommended a Situational Analysis (research) as the next step. Business plans need to include a SWOT Analysis to determine internal Strengths and Weaknesses as well as external (environmental) Opportunities and Threats. Market research should also be conducted to determine audience/client demographics, needs, trends, growth, and the identification of existing research and other critical issues. Strategic planning generates potential implementation strategy to determine how to proceed. Strategic planning includes determining the competitive edge, what the marketing strategy will be, and structure of the management team. Marketing strategy should also be included to determine marketing and financial objectives, target markets, positioning, marketing strategies and the marketing mix during this process. Financial variables and their role in the mix will be determined, and will include a break-even analysis, projected profit and loss, and projected cash flow. The last element in the business plan

should include controls and contingency planning. What are potential security issues, and how will they be addressed?

Planning involves a great deal of consideration and research. Leadership and Management must also be in place to facilitate the planning and implementation process. Strategic planning involves a diligent and persistent interest understanding both internal and external and global environments.

The development and creation of Social Enterprise can create difficult legal maneuvering. OSEN presenter Susan Gary (2007, June, Retrieved July 11, 2007, available from the Oregon Symposium for Entrepreneurial Nonprofits web site, <http://oregonsen.svdp.us>) addressed legal issues specific to Social Enterprise: fiduciary responsibilities, investment, duty of care, prudence, loyalty and conflict of interest, disclosure and obedience. Laws pertaining to unrelated business income tax are of particular importance with regard to tax exemption status. Unrelated business taxable income is not an issue if the amounts are insignificant. In general, the IRS and Attorney General's Office will expect tax payment on revenue:

- Income produced is a regular (not occasional) business occurrence
- Not substantially related to tax exempt purpose (depending upon size and scope of activity)

Gary (2007) indicated exceptions include:

- All work carried out by volunteers
- Convenience of members, employees, students/ participants. i.e.: coffee shop or snack bar, if operated by the organization itself

- Selling contributions (thrift stores)

Caftel (2001) provided a detailed overview of the legal structuring for business ventures and suggested, “For legal assistance, the reader is advised to consult an attorney licensed to practice law in the reader’s home state” (p. 1). An expert opinion and assistance of an experienced attorney can be invaluable in navigating the perilous legal highway encountered during the creation of these unique, synergistic, hybrid organizations.

Planning will do no good if marketing considerations have not also been addressed. OSEN presenter Ann Forrestel (2007 June) indicated that marketing begins with research: understanding purchase decisions, and correctly diagnosing problems in order to provide appropriate solutions. Nonprofit organizations that run businesses have to compete with other businesses, both for-profit and nonprofit. Organizations should begin by conducting a feasibility study, looking at the size of the market, competitors, and available resources. Marketing includes promoting, advertising, educating, deciding who to sell to, and motivating to change behavior. The basic concept of marketing involves an organization seeking to make a profit and/or fulfill its mission to fulfill a need for its target groups. Organizations start with who needs what and should never forget the customer focus.

OSEN presenter Rebecca Larson (2007) addressed the importance of organizational marketing plans. Strategic media relationships can include goals of education designed to honor and inspire, build a base of support, and support fundraising goals. Marketing plans, like other strategic plans, involve both internal

and external considerations. Internal communication strategies include newsletters, personal appeal letters, website outlets, church and other organization bulletins, and guest viewpoints in local papers and trade magazines. External media can include press releases (PR), public service announcements (PSA), and media advisories. Marketing and PR strategies involve setting goals, cultivating relationships, tracking results, and always have a contingency disaster plan ready if needs be.

OSEN Presenter Rebecca Larson (2007, June, Retrieved September 4, 2007, available from the Oregon Symposium for Entrepreneurial Nonprofits web site, <http://oregonsen.svdp.us>) also addressed volunteer coordination. Larson (2007) indicated the importance of recognizing contributions from volunteers, and the importance of planning and having policy in place beforehand. Volunteer coordination involves people who may participate once and never return and/or people who continue to cultivate ongoing relationships. Volunteer coordination involves learning about individual interests and skill sets, motivation, and knowing appropriate questions to discover answers. Larson (2007) addressed volunteer management activities which include an awareness of all potential liability issues, importance of background checks, volunteer training, tracking, evaluation and termination, all in place before potential volunteers step foot in the office to fill out an application.

The strategic planning, research and analysis involved throughout the Social Enterprise process has the potential to contribute to sustainability for nonprofit

organizations. As more and more organizations realize the potential benefits of Social Enterprise, the concept has spread.

Performing Arts Administration,

Standing Room Only

In the Performing Arts Administration course, Patricia Dewey introduced the textbook *Standing Room Only, Strategies for Marketing the Performing Arts*, which complimented information from OSEN. Authors Kotler and Scheff (1997) provided very specific information about budgets, indicating that budgeting for arts organizations can be characterized as a balancing act of meeting the organization's objectives to the fullest possible extent within the limits of its financial capacity. Budget forms and instructions should be standardized and understood by all who have responsibility for budget items. Once budgets are submitted, they should be reviewed by multiple individuals including: the director, the business manager, and appropriate board members. Meetings should be held to discuss and explain any necessary adjustments. Budgets should be considered as flexible capable of adjustments to account for changing circumstances (Kotler & Scheff, 1997, pp. 447-451).

Research and developmental components significantly impact the planning and strategizing phase. Kotler and Scheff (1997) addressed benefits obtained through strategic planning and implementation. Factors negatively impacting planning include ideas perceived as unnecessarily complex, those contributing towards divisibility, reversibility and the perception to retreat should the idea not

work, plans that do not promote consistency or are inconsistently implemented, and those required perceived unacceptable stakeholder agreements. Planning must occur globally and account for both internal and external factors:

In determining whether a strategy is implementable, the strategist must also consider the complexity, uncertainty, instability, and hostility of the environment. Internal organizational factors to be taken into account include leadership continuity, quality of decision making, quality of management information systems, and the nature of the organization's reward systems.

(Kotler & Scheff, 1997, p. 452)

A good plan is meaningless without a leader. Kotler and Scheff (1997) also discussed skills beneficial to guide strategic planning to fruition, indicating pertinent skills in the areas of diagnostic analysis, allocation, monitoring, organizing, and interacting are beneficial throughout the planning process to implementation and beyond:

Steps must be taken to lend a sense of realism, motivation, and confidence that the new direction can be achieved. People must see the strategy's relevance, feel they are capable of implementing it, understand the required behaviors, know whether they have achieved the objective, and be rewarded for doing so (Kotler & Scheff, 1997, p. 452).

Implications for the Performing Arts, Two Examples

Capital Hill Arts Center, CHAC

An example of a performing arts organization utilizing a hybrid business model as a social sector business in action is located in the Pacific Northwest. Capitol Hill Arts Center (CHAC) in Seattle is an example of the Social Enterprise Paradigm and the performing arts. CHAC is structured as a sustainable for-profit organization with a triple bottom line mission statement that includes contributions of positive social value, positive environmental impact, and positive financial return (<http://capitolhillarts.com/vision-mission>). CHAC has taken a Social Enterprise approach as a triple bottom line sustainable business model.

Kiley (2004) reported Matthew Kwatinetz, Artistic Director and CEO of CHAC said, "It's a default choice in Seattle right now--if you want to be an artist, people think you have to be a nonprofit," (Kiley, 2004, *The Stranger*, retrieved March 19, 2007). Kwatinetz continued:

"The for-profit life isn't any easier than the nonprofit, but it poses a more attractive set of problems." Yes, there are investors to pitch and be accountable to, but compare that to the bureaucracy of IRS restrictions, legal stipulations, and board politics that plague the grant-dependent. "A nonprofit is just as much a partnership as a for-profit," Kwatinetz said. "The question is: Do you trust your partner?" (Kiley, 2004, *The Stranger*, retrieved March 19, 2007).

Kiley (2004) reported Kwatinetz idealistically predicts a quiet revolution of "socially responsible" capitalism envisioning a future in which businesses like CHAC balance profit, value, and community involvement as social services and the nonprofit model continue to decay (Kiley, 2004, *The Stranger*, retrieved March 19, 2007).

Graves (2005) reported in *The News Tribune* that as a for-profit organization, CHAC exists because of ticket sales, building rentals and concessions, and receives no donations. Kwatinetz selected the for-profit structure due to nonprofit organizations responding more to funders and boards of directors rather than responding to audiences (Graves, 2005). Kwatinetz indicates CHAC's goal is to pay everyone a living wage by creating "...a sustainable business so people don't have to work three jobs, spend their time writing grants and worry about how they're going to get health benefits" (retrieved March 19, 2007 from <http://www.thenewstribune.com>).

CostumeRentals, LLC

Another example that demonstrated a hybrid business model in the performing arts can be found between the pairing of Nonprofit Guthrie Theatre in Minneapolis and Children's Theatre Company to create a social sector business venture CostumeRentals, LLC.

MacDonald (2005) reported in the *Christian Science Monitor* that costume storage expenses over \$30,000 led Guthrie Managers to develop a separate business entity, CostumeRentals, LLC, a costume-rental business which generated enough

revenue to cover expenses and provided cash support for the Guthrie and its business partner, the Children's Theater Company (retrieved March 15, 2007). Kunkemueller, Oster and Garstka (2004) report in the CostumeRentals LLC Case Study from the Yale School of Management, Program on Social Enterprise, that CostumeRentals LLC evolved out of a desire to consolidate two organizations to create a mutually beneficial situation from combined needs as well as creating a nationwide costume rental business (p. 1).

MacDonald (2005) indicated the CostumeRentals, LLC began as a means to provide money to invest in the theaters and not make a for-profit business. Maribeth Hite, special-projects manager at the Guthrie, explained the bifurcated goal to subsidize the organization's mission and complement the mission with a compatible business is sometimes easier said than done: "Of course, some nonprofits find that for-profit doesn't fit, says Cynthia Massarsky, co-deputy director of the nonprofit contest. But for many, the right match might do more than coexist with a nonprofit mission, it could also enhance it," (MacDonald, 2005, retrieved March 15, 2007).

MacDonald (2005) also reported unexpected benefits and contributions of positive social value and positive environmental impact, which includes enhancing educational missions from schools and colleges requesting costumes they could not afford to make. Other nonprofits are also discovering the for-profit side businesses leverage unique physical and intellectual assets and are capable of generating

much-needed revenue in a time when few nonprofits can thrive on beneficence alone (retrieved March 15, 2007).

Kunkemueller et al. (2004) described issues encountered through the development of the business plan. Damage was affecting the quality of the rental items, and CostumeRentals was not generating enough revenue to replace the \$300 - \$2000 cost of some of the most popular rented pieces (p. 1). Another issue that emerged was a lack of large costumes. Most of the costumes were created with a specific person in mind. While some plus sized pieces exist, the growing need for more became apparent as customers were being turned away (p. 1).

Kunkemueller et al. (2004) reported one potential business option as raising prices so CostumeRentals could either afford to commission new pieces or hire Stitchers and make due with deteriorating stock. This option has the potential to cost customers as most customers were high schools and colleges (p. 2). However, the idea of a partnership to benefit both organizations and potentially benefit the community by offering costume pieces for reduced rent for educational institutions, community theatres, industrial and private segments (pp. 2-4). Finally, an equal partnership agreement was reached, and both organizations invested \$25,000 in CostumeRentals, LLC, an entity separate from yet in support of the two partner organizations, the Guthrie Theater Foundation and Children's Theatre Company (p. 2). Kunkemueller et al. concluded that success for both partners will depend on management's ability to assess and implement appropriate solutions (p. 10).

Summary

The performing arts sector has become fragmented due in part to individual differences between organizational structures and operating models. Careful consideration regarding for-profit, nonprofit, or hybrid organizational structure is required and can significantly impact legal issues, tax benefits, and other financial opportunities. Current economic and business trends indicate difficulties distinguishing between sector boundaries. Organizations may retain for-profit or nonprofit status and still utilize hybrid business models. Hybrid business models blend concepts between organizational sectors. Applications of business practices commonly associated with one particular sector and utilized by another sector have contributed to the blurring boundaries observed in the performing arts today. This study considered the use of hybrid business models based on Social Enterprise contributions to sustainability of the performing arts. The literature review included an economic development timeline as well as current trends for the performing arts. Specific recommendations for the development of Social Enterprise were provided. Several examples of performing arts organizations with hybrid business models were also provided.

Discussion & Recommendations

The Social Enterprise Paradigm

The *Social Enterprise Paradigm* entails the interrelationship between all of the components pertaining to Social Enterprise. The significance of knowing who your audience/clients are, what they desire (audience/client centered approach), and

the role of the organization in providing these goods and services, are ideas well developed through strategic planning. Combined with hybrid business models, specifically Social Enterprise, and the concept of the triple bottom line: satisfying the clients personal goals and providing greater societal benefits with positive environmental impacts, all while generating sustainable financial returns appears to lack a term to describe overall cohesiveness.

General Definition

My definition of the Social Enterprise Paradigm: The conceptual framework encompassing organizations that exhibit nonprofit principles together with a business mentality.

The Social Enterprise Paradigm has the potential to compliment and enhance existing organizational frameworks with three options: (a) Development of organizations addressing sustainability combined with positive environmental impacts utilizing a nonprofit organizational framework. (b) Development of a separate socially conscious and responsible business designed to sustain itself and provide revenue back into the nonprofit. (c) Development of a for-profit business with a hybrid business model including positive social value and positive environmental effects. Please note business not in the sense of bastions of glutinous corporate greed, but business aware of environmental considerations and impacts for everyone.

It is imperative to carefully advocate for all sectors together. Change, regardless of the cause, will effect not only the organization where the change

occurred, but other co-existing organizations within the global operating environment. Debates over terminology: nonprofit, not-for-profit, public/for profit, commercial, Broadway, The Theatrical Syndicate, The Shubert's, Disney, take time away from the real issue of sustainability for the entire performing arts sector.

Terminology and semantic differences, while important, differentiate, divide, fragment, and separate. The arts mutually benefit from each other, yet animosity remains. It is necessary to identify individual differences, while at the same time it is also necessary to identify how organizations operate within the system. This idea is similar to situational analyses that consider global perspectives, internal strengths and weaknesses concurrently with external opportunities and threats (SWOT Analysis).

Investments in lavish productions and large performance halls requiring teams of people working together to operate and finance also require someone to financially cover expenses: paychecks for all employees- performers, administrators, stagehands, ushers, marketing/PR activities, electric/water bills, and so forth. But expensive ticket prices combined with other reasons are driving the audience away, even if the audience won't admit to wanting to see a Broadway show. Broadway productions are spectacles. Broadway has developed a reputation audiences' have come to expect.

Individual perceptions of quality and value are subjective. Expensive ticket prices call into question the value of art when expectations are not met. And the use of public subsidies to fund these events and activities exacerbates the problem,

especially when not all the public can afford to purchase a ticket. The performing arts sectors must adapt. It's ironic that the names of the actors on stage are often the last thing we remember about a show- name the person who played which role? Large commercial productions travel with interchangeable casts, and they have to! Understudies are needed and require time to rehearse, learn and memorize all the music, lines, choreography, blocking, and wear the costume (which has to fit thanks to Costumers/Wardrobe Dept.) Operating together in the same environment with the nonprofit performing arts sector, where we may go to see friends, local talent, community members in the audience and on stage, and the resulting economic environment becomes quite challenging to discern. It may be difficult to justify using public funds for large expensive performance halls that can comfortably house mega-productions and audiences. But, mega-productions and mega-performance halls also draw tourists and revenue, and can economically benefit the whole community.

Conclusion

Social Enterprise suggests the following contributions to hybrid economic models regarding the sustainability of performing arts organizations:

- Hybrid economic models blend concepts and ideas across multiple sectors: for-profit, nonprofit, and government.
- Regardless of for-profit or nonprofit economic classification, organizations are adopting more business-like strategies and approaches.

- Social Enterprise is a hybrid model blending ideas and concepts between for-profit, nonprofit, and governmental sectors.
- Social Enterprise contributes to sustainability of performing arts organizations with strategic planning and research using a global, internal and external perspective.
- Global strategic planning and research provides knowledge and understanding for performing arts organizations, leadership and management, contributing to sustainability.

Hybrid business models in the performing arts can be described utilizing the Social Enterprise Paradigm. The Social Enterprise Paradigm, similar to using a lens on the Hubble Space Telescope, has potential for complimenting and enhancing the nonprofit infrastructure already in place thanks to the hard work, dedication and contributions from many, many individuals. Some organizations practice Social Enterprise in the field without realizing it. However, more data is needed regarding effective applications of the Social Enterprise Paradigm for specific organizations.

Never the less, changes in the business environment require organizations to adapt and learn from others. With well intentioned goals of positive benefits for all, utilizing the Social Enterprise Paradigm as exhibited through strategic planning, leveraging assets, prudent fiscal management, resource development and allocation, while creating measurable positive environmental effects, including contributions of social value, has potential to enable performing arts organizations to remain accessible and welcoming community resources for everyone to enjoy.

Data always need careful consideration, subject to interpretation, for clear understanding of the entire scenario. Regardless of economic classification, facts remain that while similarities between products, organizations, and sectors can be identified, significant differences also exist. Additional research is needed before global implications and generalizations can accurately infer causality.

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