Diane Ragsdale:
Hi, I’m Diane Ragsdale at the Andrew W. Mellon Foundation; to my right is Marian Godfrey at the Pew Charitable Trusts and to my left is Luis Castro from Time Warner. We’re really pleased to be here. I just want to thank TCG for the invitation to come to the Forum this weekend. I’ve really enjoyed the sessions. I thought in particular the sessions on innovations in finance and innovations in space were terrific and I learned a lot. I’m really pleased to hear these conversations happening.

I’m going to start with a few comments and pass it over to Marian. Yesterday, Russell Willis Taylor made reference to the fact that I said that innovation is a dead word. And I wanted to pick that up a little bit and put it in context. When I said that, it was coming out of having co-written an article with Bruce Sievers, who’s a scholar on the West Coast, responding to Jim Collins’ monograph, Good to Great and the Social Sectors, which—if you haven’t read it—I think is great. One thing Collins talks about is inputs and outputs and outcomes and “BHAGs,” and all of these words. And we were sort of going back and forth wondering: can you measure value? Is it possible; is it good to do it, bad to do it; how do you do it; how do you define it? It’s a quicksand area that we get into, where it’s like: how do we even talk about it, much less do it?

And I said that one of the problems is that funders find words and then they become buzzwords. It was “strategy,” and now it’s “innovation,” and we’re taking votes on the next one, saying it’s going to be “convergence.” (Laughter.) What happens is they become popular without being defined, necessarily. They get into applications, so dutifully applicants put it into their proposals. And we’re all reading and writing about innovation and I’m sure none of us has really sat down and talked about why. Why do we think innovation is so important right now? Is it sometimes the jargon that we begin to use that keeps us from talking about the very thing that we need to talk about, that may be uncomfortable, or hard to talk about? I said a year and a half ago when this article came out that if anything, it’s going to have this meteoric rise and everyone’s going to start to use it and then we’re going to start dumping it because everyone’s going to say, “Well, what do we mean by innovation?” And we’ll say, “Well, I think what we’re looking for is…” but I don’t think we even know. And sure enough, I was meeting with funders and they said, “Oh yes, we’ve stopped using the term
innovation, we’re using the term adaptation now (*laughter*) or effectiveness.” It’s as if we can just toss in new words and this will somehow lead us to a solution.

So, what are the things that are hard to talk about? There’s a culture change going on. Do you care about it? Are you paying attention to it? Some organizations really are and some are not. There are leading institutions, historically leading institutions, who do not appear to be leaders anymore. Can we talk about that? Can we turn to an organization and say, “Have you noticed over the last 40 years there are now an additional 100 theatres in your town? And some of them are more relevant to the community than you are. Are you concerned about this? Are you dealing with this? Have you looked at the purpose of your organization lately?” These are harsh things to say, but I think that the reason we find it difficult to talk about is that we want to believe that this is all sacred and will exist no matter what happens in society. It’s been around since the Greeks and surely it’s not going anywhere now. Well, it was much different then too. There was a social and cultural context at that time that created the theatre, and throughout time, theatre changed in response to that social and cultural context. I think what many are realizing now is that context is changing rapidly. Some organizations are addressing it and some are not. I think we put in buzzwords like innovation as code words—tell us that you’re thinking about these things.

And maybe innovation is not the right word. Susie talked yesterday about the dark night of the soul. Maybe we need to be saying, “Have you had your dark night of the soul yet? Have you spent weeks agonizing over whether you we have a mission that’s relevant in the 21st century? Is your programming intellectually relevant in your community?” If you haven’t wrestled with that, maybe that’s what we’re trying to tell you.

I take responsibility—and I think the funding community in general needs to take some responsibility—for tossing that word out there in the last couple of years, without us taking time to really think about it. Now, I happen to have on either side of me some of the smarter people in the funding community, who, I think, have been very thoughtful about what they mean about innovation and what they’re looking for. So maybe we can be very specific today about what we mean, at least, when we use the term. Over the last two days, I’ve been looking at you all and thinking, my gosh, you’re all trying new things left and right. You’re experimenting left and right. An article in the *Economist* a couple of weeks ago, a special report on invention and innovation, said that innovation is not invention. One definition it gave was that it was fresh ideas that create value—that sounds interesting to me—value for whom? Artists, audiences, the theatre itself? And I think this is where we start to turn around in our heads. And so I’m going to turn first to Marian and ask, did you start
using the word innovation and if so, why? What do you mean by it and what are you looking for when you use it?

**Marian Godfrey:**

Well, we’ve actually used the adjective innovative for a long time but applied it specifically to the way that we fund artists and new work by artists. It’s been a very unsatisfactory word, even in that context, and we’ve always had to parse it quite extensively: having to do with work support that would allow artists, or an organization working with artists, to take some kind of artistic risk, or to try something new, or be more ambitious than they otherwise could.

So a lot of what I’m going to say is going to have woven in and out of it: what is the role of artists in all of these things that we’re talking about? And that’s where we’ve started. We’ve recently started to think about things in response to what’s happening out in the community and the way that organizations seem to be struggling with the loss of audience or struggling with undercapitalization—and all of those things that you know and have been talking about and responding to quite wonderfully. And in response to Irvine’s paper about the state of the arts in California and in response to some of the difficulties at some of our most major institutions in Philadelphia, which is where Pew presently confines its cultural funding. And we sort of skipped over innovation in that context. A lot of funders are thinking about, okay, if an organization’s problems are such that it needs to re-conceive its programming and mission from the ground up or re-conceive its business model, do you think about creating some type of major fund that would be risk capital that will help an organization do that? A lot of funders are thinking about that. It’s problematic because it takes many millions of dollars to help a few organizations do that, and do that right. We started thinking, well, do we call it a re-invention fund or a transformation fund? And, of course, those words are equally likely to immediately turn into jargon.

So, I think we’re going to find that we have to name it something, but the key value is that we’re going to need to perceive and build into it—and this just came up in the think tank that David [Hawkanson] moderated and I was in earlier—finding the organizations with the readiness to re-imagine themselves somehow and the understanding of why they need to do that. And there may be some organizations that do not need to do that because they’ve been innovating on an incremental basis all along and they’re kind of up with what’s going on in the world. And there may be organizations that, as Diane said, are just not going to go there.

The one thing that I worry about as a funder is just letting the “Darwinying” thing happen, which is a scary moment for organizations and for funders because everything is changing and we don’t know
where it’s taking us yet. An assessment of one of our organizations said there’s risk in changing too fast, and there’s risk in changing too slow, but the one thing is that they can’t not do anything. So finding this point of intervention as a foundation is, I think, risky—but we don’t want to follow the “Darwining” path and do nothing and let people fall by the wayside. For me, it’s kind of a question of: how can we listen to organizations define their own goals for change in response to environmental constraints and pressures? How can we pull those ideas to us, to use that social networking language, rather than push our ideas out onto the organization? But I think any word that we use is going to turn into jargon anyway. So you just have to keep changing your vocabulary all of the time in defining yourself.

Ragsdale:
Just to follow up on some of your thoughts… At this recent Grantmakers in the Arts Conference that we were at, I think that Darwin and Kevorkian were used a few times. (Laughter.) One thing that is not clear, I think, is how we take responsibility for the ecology of any given community. It seems like in the past we’ve said, “Let’s trust that some people will like this theatre and some will like that theatre; the government will give everyone a little bit and somehow it will all work out.” But I don’t know that that’s true, I don’t know that there’s enough diversity. It seems like a number of organizations get the lion’s share and other smaller organizations scrape by on hardly anything.

Are you actively, at this moment, trying to go out and identify organizations that you observe are in need of transformation, and help them do that? Are you allowing anyone who wants to come up and talk to you about ideas, and are you responsive to all of those? How focused is your search, and how open are you?

Godfrey:
We have two pieces in how we try and respond to that. We have an operating support program that’s already difficult to get into—it makes organizations jump through a lot of hoops. So we tend to react very positively to organizations coming through that program that are grappling very intentionally and intently with these issues and being pretty creative in how they are doing it. But I think the other thing a foundation can do, should do and must do—especially one like Pew that is focused on building the cultural sector in our community because we think that it is good for the artists, it’s good for the citizens, it’s good for the well-being of this region, Philadelphia—is to do the things that individual organizations can’t do.

For example, we’ve invested a lot of money in the past five years and are planning to invest a lot more money in the upcoming years on building communitywide tools for audience expansion and
engagement. So we've supported the Philly Fun Guide, which is an online calendar that is completely comprehensive, and the Philly Fun Savers, which is a permission-based e-mail system that is now selling $500,000 worth of tickets a year to audience members that would otherwise not come in the door. So that gets us to some of the price point and access discussions that I think you all have been having.

Our next stage of the game is to really do some heavy-duty audience and market research, and continue to do it on a longitudinal basis, and try to get the answers for the community using methodologies that are just too expensive for an individual organization to undertake. And then we're going to take those findings and challenge organizations to see how they are going to respond by changing their programming as well as their marketing, if that's what they need to do. So we are going to get in their face about it—and they're pretty uptight about it. We can do that for a whole community, but it's too dangerous to start intervening in an individual organization, I think.

Ragsdale:
I think that's kind of sacred territory in the U.S. I don't think we've allowed ourselves to have these conversations, where we'd say, "We think your programming is getting kind of stale." I was talking with a colleague in the U.K. and I said, "You are so heavily subsidized, but what sort of influence does the government have in artistic choices?" And they said, "Oh absolutely, they (the government) take out the board presidents all of the time and say that it's time for a new artistic director." We certainly don't give enough money to anyone to merit saying that, and I don't think that we would—but on the other hand, it seems like we talk around the issue of programming and don't come at it head on. We don't say, "Do you think your audience decline has anything to do with your programming, and maybe it's not just time and money and trends in general?"

Okay, so Luis: speaking of audiences, Time Warner is being heralded over the last few years for many initiatives, but one of the most well known is the program with the Signature Theatre. I'm assuming that most of you know about it, but I'll let you talk about why you got into this in the first place. Then can you give us some context on what was going on at Time Warner, and historically, what had you been funding—as this seemed to represent a shift for you guys—where did that come from?

Luis Castro:
We have a pretty long history in supporting the arts—whether we were Time Inc. or Warner or AOL/Time Warner, we've always been investing in the arts. I think the real change or innovation that occurred had happened a few years ago, when we stepped back as an organization and thought
about how we were giving. I guess the real nut of it was that we wanted to support the arts in a way that not only helped to address issues in the field but also leveraged who we were as a company—in terms of our identity but also in terms of our assets and resources that we could bring to the table. So it was an issue of investing in a way that made sense for Time Warner and that engaged all of the resources and assets. What we really wanted to do was to look at ways that we could find alignment between the needs of the field, and again, what we had to offer as a company and what made sense for us as a company. A couple of issues that came up for us as really significant were the growing diversity within society, and the importance for institutions and, frankly, for companies like Time Warner, to be able to reach out to and engage and provide entertainment content for these diverse audiences.

In doing that, we stepped back and thought about what kind of levers are there that can help increase and broaden access to the arts. What are the challenges to people getting engaged in the arts? For us it boiled down to three things, really. And it actually aligns with some research that you may be familiar with that was conducted by the Wallace Foundation around the barriers to access. For us it came down to the issue of perception, it came down to access—actually being able to see a performance—and what was on the stage. It was things relating to building relationships between individuals and the arts, and the feeling that the arts are for me, which was not happening in a lot of communities. It was a question of: okay, now that I feel that arts are for me, how do I get to see it? And tied up in all of that are questions of ticket prices. I venture to say it’s also what happens at a particular institution—everything from who’s handing out tickets to just the feeling that you’re welcome in a particular place.

I think the third issue is what’s on the stage. I don’t think we as funders and we as a company have any right to say this is what you should put on the stage. I think that really needs to be driven by the audience and the community. What we are saying is that the audience and community are changing, and what’s important is that what’s on the stage reflects and speaks to those different communities. That’s the kind of calculus that went into our overall thinking.

So what we did was to step back and develop a strategy around supporting the arts, and it was tied into those three things. What it meant for us practically was that we would invest in engaging young people in the arts, we would invest in initiatives that sought to bring down some of those barriers to participating in the arts—and that’s where our work with the Signature Theatre Company came about—and the third, that we don’t talk a lot about, is the work that we’re doing to help develop emerging and new artists and developing new work by existing artists.
So on the Signature ticket initiative, again, it was an initiative that was built on helping break down one of those barriers—broadening access to the arts. There are a couple of things to think about. One is that these are not discounted tickets, these are underwritten tickets, so we’re not trying to cut the resources or income that comes to an organization. What we’ve done at Time Warner is to invest in and cover the cost of those tickets.

The second thing that I think is important to know about this initiative is that the ticket pricing component of it is not the only component of it. Any pricing initiative is not going to be successful if it doesn’t have these other components. Number one is marketing. The Signature Theatre Company is doing an amazing job in reaching out to communities that otherwise would not have access to these tickets. They were reaching out to communities that they wanted to build relationships with, and so that was a very important part of the initiative. The other component was recognizing what was on the stage. If you’ll recall the first season that we partnered with the Signature, it included August Wilson, and so what that initiative was able to do was to bring in a diverse voice to the stage. So it was trying to hit all of these different levers, I believe, which was important. I’ll stop with that.

**Ragsdale:**
I’m going to ask you one more follow-up question. I read a book not too long ago called *Convergence Culture*—there’s that c-word that we’ll be using soon (*laughter*)—by Henry Jenkins. He talks in the book about this concept of affective economics. He basically says that the entertainment industry as advertisers are beginning to realize that Nielson ratings, or what in our business is called “butts in seats,” may not be the most important indicator of success. What they are realizing is that they need to pay more attention to the quality of the engagement rather than the number of people. And yesterday, Michael Ross made reference to the fact that even corporate sponsors aren’t just looking for their logos to be thrown up everywhere and get all of the eyeballs on their banners, which is sort of the old model. There’s something else that is wanted—a deeper relationship with the organization that you’re sponsoring. Can you talk, in general, about whether this is true; do you see it at Time Warner, do you observe it in other corporations?

**Castro:**
Yes, with respect to Time Warner, it is absolutely true. In fact, that was part of the big shift in terms of our giving. We made the conscious decision not to focus on sponsorships or to focus on sponsoring events or tables, things like that. We really stepped back and wanted to have an impact with the work that we were doing and so that meant trying to help support programmatic activities and initiatives. So for the purpose of Time Warner, that’s exactly what we wanted to do and how we reworked our giving.
I think it actually is a trend that you’re seeing in corporate philanthropy and corporate giving overall. In a recent study by the Center for Effective Corporate Philanthropy, they conducted a survey of Fortune 100 companies, and one of the key issues or priorities that they outlined for their corporate giving was that they wanted to better align the work of the philanthropy that they do with their businesses. And I think the natural progression and natural outcome of that was that sponsorships may not be the biggest part of it. It’s going to be work that aligns better with them and makes sense for the identity of the company and what resources the company has to bear. I think that has an impact on sponsorships and those kind of things.

Ragsdale:
That's great. We could continue a little longer, but I think we should open this up, if that's okay with my colleagues up here. Are there any questions at this point?

Audience:
How do we go about establishing these deeper relationships with funders? I got into the theatre because I have an insatiable need to be innovative, and yet I resist every time there’s a new program that I have to write a proposal for and water down our mission statement. Our mission statement is that we want to produce new American theatre. That’s it. But all of these programs come along that you should write grants for—there’s a new grant at TCG called an A-Ha! Grant, and I’m thinking, we should go after that. But I don’t want to create a program for it because I believe what we do in itself—doing new plays—is all that really matters to us and is all I want to do. And we had a 5.8 percent increase in attendance last year. So how do we reach out and establish relationships with funders when we don’t have any new innovative program to get their attention?

Ragsdale:
That’s a really good question and I'll just say briefly at Mellon how we’ve been thinking about that and then pass it over to my colleagues. We’re aware that there are, perhaps, historic leading organizations for whom adapting to the culture change is harder, and the point where they have their “dark night of the soul” and sort of grapple with where they need to go and get the working capital to do that is difficult. And as a large funder, we can make available larger resources for that. That’s one thing we’re thinking about. But on the flipside, we’ve also recently began to say, we need to do that but we also need to simultaneously identify those who are consistently innovating or who are smaller and are more flexible and fund them as well. You don’t necessarily want to create new programs for a funder. And if you feel encouraged to do that, stop—walk away from the money, it’s just not worth
it. But I also think that an enlightened funder should be able to sit down and have a conversation with you that is more dynamic, where you can say, “Here’s who we are.”

Castro:
First of all, I underscore that. One of the things that turns me off in conversations is when someone says, “Yes, we can do that,” even though it really doesn’t fit with the mission of the organization. We, as funders, do not want to do that—to make anyone, what we call, play “Twister” with who they are, play “Twister” just to get funding. It doesn’t do your organization any service and it doesn’t do us any service in terms of having an impact in the field. So I agree with that.

I do think, also, that the work that we’ve done has been about partnerships and working together on ideas. Again, I address these challenges and goals that we both have as the funder and the organization. Sometimes that comes out for us in partnerships in new initiatives like what we’re doing with the Signature Theatre Company or like what we’re doing with the Public Theater. Sometimes it comes out in continued support of activities that are currently going on and trying out new things within that; for example, how we support the playwright development work at the LAByrinth Theater Company. Because of the work that the LAByrinth is focused on, their mission is about supporting and developing new work, and that’s a big part of what we’re interested in. They are not creating a new program for us. We’re helping support the mission and now they want to try a few different things in addition to what they do—creating new components that allow a writer to have a stage between a reading and the development of their production, to look at the play a little more in front of an audience. So it’s about enriching that existing program as well. I would encourage you to think about that and think about what it is that will help build the work that you’re doing and think creatively within that context.

Godfrey:
I would say that persistence is really important. I think that we forget sometimes on our side of the fence how difficult we make it for you to even come and have a conversation with us about what you’re up to. I think that’s an issue in philanthropy. I think what’s really important is clarity about your mission and how you’re executing it and what cultural and civic value that gives back to the community. That’s increasingly important to philanthropies these days.

On our side, at Pew, we try really hard, and we write it into our guidelines, and we write it into our panel instructions, since we use a lot of peer panels to make project grant decisions. We try really hard to only make grants to projects that the organization that’s applying can articulate how that project is going to strengthen it as an institution, as opposed to pulling away from the center. As a
field in philanthropy, there is a conversation that’s been going on for a while now—and is still at the stage of rhetoric, but eventually it may lead to reality—about the fact that this has been a philanthropic practice that is very counterproductive: doing these project grants or program grants and expecting organizations to somehow change their mission or their activities in order to respond to them. And there’s more and more understanding why unrestricted operating support is important—sometimes operating support linked to capacity building. It is important to be careful how program grants are structured so that they are productive. People at our level, the officers, are fairly smart about this now and our task is to inform our decision makers, our board, who tend to be a little romantic about what they can get done by imposing programs on people. I think there’s an awareness on both sides that this is a bigger issue. So meanwhile, all I can say is keep being persistent.

**Audience:**

In our community over the last few years, we’ve found that there’s been a constant turnover in terms of leadership, especially on the corporate side, relative to grantmaking. And each time a new group of people takes over, what begins to happen is that they think of a new way to present their grantmaking program. And I’m not sure that’s an essential thing. I think in many cases it begins to strain the relationship between philanthropy and the community. One of the things that has been frustrating for me is we can say that we bring 47,000 people to our theatre—young people we bring in every year as part of an educational program. I can sit across the table from a corporation and tell them this and they say, “Yes, but do you do anything in these four schools where we have a focus?” And I say, “No, but I can tell you about 200 other Chicago public schools that we touch or I can tell you about what we do accomplish.” It’s really a challenge because you want to work well with them but we find ourselves trying to make up for the lack of their focus. The three of you seem to understand this but I don’t think this information is getting to your cohorts.

**Castro:**

Yes, you’re absolutely right. It’s an issue I fear is inherent in corporate philanthropy and frankly, in philanthropy. You’re going to see it happen. It can happen at different times when you have changeover in the corporate world, which occurs more often than in the private foundations. But it’s the reality of seeking funding from these companies. I wish I could give you a better answer than that, but it’s the reality of seeking corporate funding.

Our hope is that in the work that we’ve done in terms of being strategic and aligned—those are the buzzwords in the corporate philanthropy world: strategic, mission-focused, alignment; we steer away a bit from the word innovation! *(laughter)*— those are the kinds of things that we’ve done in our
giving. We’re hoping that we’re going to be able to sustain our giving and strategic approach beyond our leadership changes—really tying our giving to who we are as a company.

**Ragsdale:**
You know, it brings up the fact, the reality, that all fundraising is personal. So it seems at times that it can be capricious and erratic when you can’t get funding from a particular funder. And you think, “Well, she just doesn’t like us, she likes these people over there.” And you know, I don’t think that’s always an incorrect assessment because funders are people and they build relationships as well. You like to think that we are pure, dispassionate, neutral—sort of ciphers, almost—but it doesn’t happen that way. This touches a bit on individual philanthropy, which we haven’t talked about because the person who was supposed to be brilliant on that wasn’t able to join us today [Jessica Chao, Vice President, Rockefeller Philanthropy Advisors].

I went to a convening on 21st-century philanthropy, and it was mostly individuals. What I found was most interesting was that none of them were talking about art. I mean, these are all of the big guys who own companies like eBay, and the foundations that they’re forming, and people like Gates, etc., but the arts are not where they perceive the cultural zeitgeist to be, as the *Wall Street Journal* article talked about a year and a half ago. There’s also this sense that you get that in their minds, they perceive a problem out in the world and they identify a social entrepreneur who they think can solve it and then they fund the institution around that person to do that work as a partner. It’s a very different model than what we’ve talked about in the arts. I don’t necessarily think it’s a better model, it’s just that’s what appeals to them.

At a session that Marian and I were in at Grantmakers in the Arts, someone stood up and said that they were talking to a board member who is a huge funder of theirs, and he’s also a huge backer of commercial Broadway productions, and he said, “Here’s the difference. When I fund a commercial production, I’m in the room, I’m helping to make decisions, I get to talk about the marketing, I get to watch rehearsals, I can give my opinion about things, I feel like I’m participating in the process. When I give a big check to a nonprofit, I’m told, ‘Thanks you so much for the check, now please go away and we’ll take care of the art.’” It’s not that one’s better than the other but it is the reality of the way we do business. There’s something to the understanding of the fact that there will be some people who will not be inclined to give if they can not participate at a higher level. That’s a new reality, right?

**Godfrey:**
But also that is a very old reality—it’s human nature. Every time a foundation changes its president,
it goes through the same spasm; it’s just longer. Think about it: every time a theatre organization that’s old enough to be an institution changes its artistic director, that happens there, too. It’s the prerogative of leadership to put forward that leader’s vision. So I think this is a reality that we’re all stuck with. I think that our system of support for the arts has a lot going for it by virtue of being distributed and diverse, and from lots of different sources, and decentralized. But the most negative thing about it is how hard you have to work to raise the money that you need and how hard it is to find the people whose interest feeds into yours. The reality is that you’re never going to get their interest to change to align with yours. Your responsibility is to go out and find the people who are interested in what you are doing.

**Castro:**

In terms of a couple of suggestions about what to do in this reality, in terms of companies and corporate support, think about smaller businesses and institutions in the community where the schools are. As Diane pointed out, it’s about personal relationships and personal connections to the giving or the activity. So that may be the approach that works. You may not get the same kind of money that you would get from a Pfizer but it certainly will help and get you additional dollars for the work that you are doing.

**Ragsdale:**

I will say this: last year, we made a grant to a small ballet company called Ballet Memphis. It’s a midsized ballet company in a midsized city—it may not be on your radar—but many of these ballet companies are closing across the country. We get lots of letters and decline most of them because we don’t generally respond to unsolicited requests, as it says on the website, but we do read all of the letters. Ballet Memphis had not been on my radar but what struck me was that it was really interested in addressing this issue about what is the role of a midsized ballet company in a midsized city with companies closing left and right. And here are the questions that they were asking themselves. Should we still exist or is it time to close our doors? If we’re going to exist, maybe we should be distinct somehow from the big ballet companies, and what would that be? And here are some of the things that we’re thinking about, etc. I give this example to say that it is possible to get connected to foundations and corporations even if you are smaller; it just has to be the right alignment, and this just happened to be the time that this question was interesting to us. It was just luck, but it happens that way too. It’s not only: we have our five friends and we like them. Persevere, too.

**Laura Penn:**
I think the questions that are being asked and answered are great. As an organization, we are the smallest of the large and the largest of the small. I’ve heard you speak a little bit about addressing the needs of the large institutions and the support for the emerging. And we certainly have had a dark night of the soul at our theatre, but it’s been financial, not artistic. Our earned income has been consistently growing but we find it more and more difficult to attract, particularly, national support for our work, because we aren’t on either edge and because our balance sheet looks so bad. You couldn’t get a seat in our theatre for the last three weeks if you wanted one. So, what do you think about this mid-range group that is vulnerable for a whole different set of reasons? We’re agile enough to respond and still be connected to our community, but we have fixed expenses that are crushing us financially. I’m wondering where we are on your spectrum?

Godfrey:
I think that arts grantmakers, at least in institutional philanthropy, have been thinking about this for a while. There was a study that we supported that RAND came out with a few years ago about the performing arts that explicitly talked about the fact that it was the midsized theatres that had the greatest vulnerability and pressure put on them. And that actually stimulated a conversation among grantmakers about what to do. I think the reaction has been pretty sporadic. I can tell you that as a local grantmaker now, I have the luxury of being able to pay attention to that in my community in a way that would be very difficult to do as a national grantmaker. Well, I think a few national grantmakers are looking at it—for instance, Ford was looking at it for a while, but not now, as they’ve changed their leadership. Cummings was looking at it for a while with certain midsized organizations; Duke has looked at it. So, it’s sporadic. The big problem is that there aren’t that many national grantmakers out there—at least not on the foundation side.

Castro:
From a corporate perspective, there are not a lot of national funders either. A lot of work is happening across the country, but it’s not happening on a national level in terms of corporate funding. They’ll fund something—in particular communities on the West Coast, the Midwest, the East, but they’re not doing it on a national perspective. And again, this is driven by the businesses and their interests in supporting activities within communities where they have business interests. So from a corporate perspective, there’s not a lot happening on a national front. To your question about support for midsized and smaller organizations, in speaking about Time Warner and Time Warner’s investments, a big part of our realignment in our giving has actually shifted our focus from larger institutions to smaller and medium-sized institutions for a number of reasons. One being the need in that particular area, and because it’s an area where we feel we can be most helpful in addressing these kind of shared objectives. So we do it in ways that are supporting programmatic activities.
But one of the other things that we do is we have a partnership with the Kennedy Center in D.C. and the Department of Cultural Affairs here in New York called Arts Advantage, which is a three-year initiative. We brought in 30 organizations from across disciplines to have sessions with Michael Kaiser and his staff from the Kennedy Center that addressed issues about growth—everything from board growth to marketing strategies to audience development—and really developing these strategies around how to grow, how to go from a smaller organizations to a medium-sized one, and make that transition successfully. So we try to do things on that front as well.

Ragsdale:
And I would say, Laura, that funders—at least at Mellon, anyway, we’re talking to organizations that don’t need to go through a dark night of the soul, necessarily. They’re just doing great work as midsized organizations. We don’t fund many tiny organizations. I think there’s also been a lot of discussion about the realization that we have put a lot of focus over the last few years on emerging artists and organizations—that in fact, those in the middle have been overlooked. The same goes for artists—mid-career artists feel as though they are in a wasteland or purgatory. “I’m not emerging anymore but I’m not yet iconic, so I’m dead.” We have to take responsibility for that.

And part of it is that, I think, sometimes we are suffering from the middle children syndrome before we get out in the world. That in the communities that we’re in, there’s almost this pecking order that gets established, “Well, you’re the first, and then they came along and then this one, this one, this one.” And we’re kind of stuck with that and there’s this sense that you can’t fund this group unless you’ve funded one, two and three first because they were there first and they’re established, etc. I think we have to begin to start looking at that and say, “Well, you might have been the first and 50 years ago you might have been the only game in town, which made you hugely relevant, but now there are a lot of theatres in this community and we need to sit down and ask what is the distinct thing that this theatre does versus that one.” And this pecking order of good to best, or whatever it is, I think we do this psychologically and we have to move away from that. We have to remove size as sort of an indicator of value.

This goes along with the fact that funders sometimes think that growth is the greatest indicator of impact. Well, we’ve seen actually that you can grow larger and it can decrease your impact, because it makes you less easily adaptable and responsive to your community. So if we’ve been in love with size for 40 years, maybe it’s time for us to stop that. Now, it’s easy for me to say that, much harder for you, being a midsized organization, to persuade funders. But I’m hopeful that we’re beginning to realize our role in getting current with our thinking as well.
Godfrey:
As I’m listening to this, I want to test out a hypothesis that this may be even more complicated because a lot of midsized organizations are also founder-led organizations that have grown up from small and emerging to midsize through the lifetime commitment of the founding artist. So there’s also this moment, particularly 35 years after the cultural boom, when there is likely to be a lot of transition. Part of that strife is what’s going to happen to these organizations. Are they going to institutionalize, which by definition would probably mean to get bigger, or are they going to just go away? Is that part of the stress here on organizations or is that not germane here?

Penn:
What is true is we’re sort of the third child in our community. We’re artist-founded and have been artist-driven in a different way than community-established. So that piece of it’s true. We’ve passed the founder part of it, but we still hold on to what Diane references as the pecking order and questions of pedigree. We want to be part of the spectrum but it’s tricky in the funding world, and even with individuals who fund large organizations, because they enjoy the scale and the stature. And the newer wealth, particularly in Seattle, that thinks we look established. So, we’re not established enough for the old wealth and too established for the new. And we don’t want to grow—we don’t want a second stage or third stage. We want to do five gems a year and call it a day.

Ragsdale:
I also think that whenever that report came out that said that midsized organizations are really vulnerable, it was almost like you could feel the midsized organizations around the country say, “Oh my God, somebody finally put it into print, we’re doomed,” right? But I think we have to address the reality and think about what it mean and what can we do about it. This is the thing with that midsized ballet company. They actually copied the large companies thinking that they could just be a smaller version of them and it's failing left and right. So they’re starting over and thinking that maybe we shouldn’t be a smaller size of them, we need to be completely different. When you’re talking about innovations in business models, it’s partly saying that we don’t want to be midsized, between these guys and these guys. We just want to be our thing. In Baumol and Bowen, which was referenced quite a bit here, it’s absolutely true. Arts organizations can’t gain, by the same productivity, gains that the rest of the economy can. So over time, our costs will increase and income will not keep pace. But you know what? There are organizations that are beginning to see ways to have productivity gains because of technology. So the premise that we’ve all been founded on re: Baumol and Bowen theories, well, there are orchestras that are potential dinosaurs that are actively
challenging that assumption. So at next year’s NPAC Conference, I’m hopeful that there will be some conversations about this.

**Audience:**
Talking about a culture change and having a mission relevant to the 21st century: I think you all are uniquely positioned to talk about what that culture change is bringing. I’d like you to elaborate on that a bit.

**Ragsdale:**
For one, there’s been a huge demographic shift, so diversity is a big issue. We are in art forms that have historically been stages filled with white people, performing to white people, boards filled with white people—and that must change. People talk about young audiences, but I’m much more concerned with the baby boomers, whose kids have gone to college, whose hair has turned gray; they’re drinking fine wine and eating triple-cream bries and they’re not going to the arts. They’re renovating their homes and gardening, they’re throwing dinner parties, they’re traveling across the country, they’re knitting, they’re watching HBO, they’re doing a lot of things—but they’re not coming to the arts. I think we should think about that—what is that about? I’m more concerned with that audience and why it is that they’re not coming.

People have been talking about forming a deeper relationship with the arts. Well, as someone who sees over 200 performances a year and who’s on the cusp between Gen X and the baby boomers, I’ll tell you this. I pray that I don’t get to the theatre 20 minutes early, because it’s the most miserable 20 minutes of my day, as I stand in that sterile lobby and drink out of my Styrofoam cup, looking at people who are 30 years older than me, sitting on that little bench in the corner of the room. It’s so not social and I feel like the biggest loser. Who wants to feel that way? In large part, I think we have to address the social context within which we exist. The panel on space was dead-on. If you think your space is just there to deliver product—shows to people—and you think that’s your core business, you might have to rethink that. I think that’s a big part of the culture change.

**Godfrey:**
I want to say something about an issue that crosses between the Digital Natives that were born in 1985 and after and are now growing up, and the baby boomers; I think it’s a phenomenon that covers both of those generations, which is this move back toward deep engagement in one’s own amateur participation in various forms of culture. For the Digital Natives, it means making their own digital creative content and putting it online—and you can debate about how much of it is truly creative, but they think of it as creative. It is for older people, as well as younger people, the fact that
there is a rise in amateur musical participation—guitar stores are selling more guitars now than ever before. People have gone back to that. Theatre has been part of a broad movement in the arts in the second half of the 20th century to professionalize itself and to consciously distance itself from the amateur. I think this is one of the permanent cultural changes that we’re seeing going forward and I think it would be really helpful to think about the fact that the lines are blurring in the minds of people who are cultural participants. The business practices and the program practice may need to blur a little bit too, somehow. I don’t know what the implications for organizations are but I think that’s part of the permanent cultural change we’re looking at right now. Some of that has to do with immigration, as a lot of other cultures don’t make the distinction that we do. And as the immigrant cultures in this country continue to grow, we’re seeing their cultural practices, which are very different from those that drove the creation of most of our institutions.

Castro:
I think that all of those are all right and zeroing in on the point that you made, Diane, about diversity and the points and issues that we’re seeing. To zero in on your point about space and creating a destination as a community space is important and goes back to what we were talking about—building that relationship with individuals and making them feel part of and connected to the institutions and to the art. You know, basic things like coming and seeing a café and things like that. It’s not just the feeling that you’re coming to the theatre for a social, community, engaging experience, in and of itself, but that theatre is also part of other aspects of connectivity. Another one of the trends that is happening is part of it as well. You can see what’s going on in the technology realm and the changes there—it’s about social networking, it’s about connectivity, it’s about individual content creation, it’s about people connecting with one another. This is a whole other panel topic discussion, but the use of technology and the ways to use it as a way to build this community outside of the theatre but also bring it into the theatre.

Ragsdale:
You can’t underestimate the degree to which people do not have the cultural literacy that they had 40 years ago. Part of our job is to broker relationships between people and art, but we might have to step up with more than the art. Because if they go and they don’t get it, that’s not very satisfying. Someone said yesterday that they wanted to get folks in more frequently because we like them to do that. But we should also want them to come more frequently because, in my experience, the more I see, the more satisfying it is, the more I get it, the more I feel I can talk about, the more it is part of my life and not just this thing that I do once in a while to make me feel like I’m intelligent or cultured. I’m always thinking about how to find people where they are, to understand them. We think a lot
about getting people to understand us, but understand them first and understand what the steps are that these individuals need to go through.

We sell seasons that have wildly diverse work in them, as though there are a lot of people walking around out there that can actually handle the extreme from one to the other. Instead of saying, “Look, what if I spent a couple of seconds with you, through a survey, something like eHarmony, and ask you to tell me some things about yourself? Okay, now I’m going to tell you a few things about my season that you might actually like.” I’m a big fan of thinking about what this pro-am culture means.

On the Boards, the organization that I was at before I came to Mellon, was (supposedly) the first organization that did a patron review blog. It started four years ago. It’s wildly successful—really thoughtful reviews by our patrons. We did it originally because the papers wouldn’t cover us and it’s been such a huge success. Not only getting patrons engaged in writing and thinking about the art, but it gets hundreds of hits while the shows are going on by people who want to check out about what other people think or to participate in the dialogue. We think of them as pro-am critics. These are the people who’ve been coming for 20 years. They get our art to a degree that critics didn’t get the art. But this is just to say that a lot of theatres did not get on this bandwagon and start patron review blogs, because they didn’t necessarily want people to talk about the art critically. Say good things, say bad things, but what we wanted to promote was that it was subjective and not that there’s only one opinion and it needs to be favorable. It’s been nothing but an upside for On the Boards. This is something to think about. To what degree do we want people to get in and get their hands dirty?

Godfrey:
It’s many of the younger people, who will be our age soon, who want to be in an interactive dialogue that they really care about, and it would be at our peril if we don’t provide them opportunities for that.

Ragsdale:
Any questions? My God, I think we’ve killed the discussion. I think we have five or ten minutes left. One thing that I’d be interested to hear from all of you is: what does this conversation about innovation make you think—is it threatening, is it exciting, do you dread hearing the word at this point? What are your responses to it?

Godfrey:
Yes, what kind of institutional barriers or external barriers or constraints are there? We hear enough
about what you struggle with inside, but what’s external that’s keeping you from doing this? Is it the unions? I bet it is, and what are we going to do about that? But what else is there?

Michael Robertson:
How do you build the capacity to think about these things and take the time to engage the people that you need to? These aren’t decisions that you make in a staff meeting. These are things that you really have to go back to the mission, you really have to think about why you exist, why are you doing this, etc. We’re trying to do that. We’re carving out three to four hours a week for long-term planning time. It’s still not enough to address all of the issues but we really want to change the world from our tiny little studio on Eighth Avenue. I think that is hard, the capacity building; and making room for planning is a big challenge for many institutions. It’s not just money. Well, it is—we’d all like to have $100,000 in grants so that we can sit around and brainstorm all day—but it is about changing the mindsets of board members. And we have a great board, who are very into planning. But I think it’s that—the capacity to plan.

Ragsdale:
Clearly, you’re all so hard-working. I sent this questionnaire around to a few organizations telling them that we’re thinking about doing this survey to look at some strategic technology planning at arts organizations, and asking would they have someone to spare three to five hours to participate in this process? And almost everyone wrote back and said, “I’m so sorry but we don’t have anyone on our staff who can spend five hours doing anything.” This is a total of five hours, not five hours a week! But I do think the risk of burnout and the degree to which you’re all carrying heavy burdens is a difficult one. Distributed leadership can help as long as you have someone to distribute it to. When you’re small-staffed, it’s really tough. It’s a real constraint. Any thoughts?

Audience:
I think for those of us who are small to midsized, you can have a great idea, and it looks great on paper, but a lot of funders want to actually see that plan in action before they’ll give you any money for it. So you don’t have the resources to get it off the ground and it’s moving it from an idea to action that is really the hardest part for the smaller groups.

Ragsdale:
There’s a guy named David Kelly, who started Ideo out in California; one thing he talks about a lot is rapid prototyping, which is a concept that has to do with how do you learn how to experiment and fail quickly without spending much money until you get to the idea that actually has some traction. Now that’s easy to say when you’re developing an iPod but harder when you’re dealing with theatre. But
how do you look at the means you have? You might not have $50,000 to spend on it but you might be able to carve out $1,000 or $5,000 to try out this one thing and experiment a little bit, and if it seems promising then maybe you might be able to go to a board member who could fund it. The key part is scaling it down to something that you really think that you can try. I think it’s overwhelming to sit and think about huge change on the level that Peter Gelb did, for instance.

Godfrey:
A lot of funders have been supporting, with grants, management capacity building over a long period of time. And I think it’s just beginning to dawn on us that we need to start thinking a little bit more about that kind of work. It’s more about risk capital for any kind of change, whether it’s management or programmatic. You can help us by starting to infuse your conversation with funders, who support management capacity building, to get them to think about it more broadly and more holistically. We’re trying to do that in Philadelphia and it’s actually very liberating for the funder to think about it that way.