

# TCG

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## In Whom We Trust III: Theatre Governing Boards in 2004

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Beginning in 1998, TCG has conducted a survey every three years that delves into the details of theatre governing boards. Reports from these surveys reveal the vital contributions that board members make to our organizations and the areas where additional work is most needed.

This year's survey asks many of the same questions as the governing board surveys of previous years. We can begin to look at changes in board composition, structure, development, policies, relations with staff, and committee involvement over time. We seek to discover more about how boards organize and operate in the service of our organizations, and more about the individuals who willingly give of themselves for our organizations.

We begin this report with a look at the **Survey Universe Theatres**, the 111 theatres that responded to the 2004 investigation. We also look at some of the distinctions that arise among different budget-size theatres.

Not all theatres participated in this survey in each of the prior years. This can distort comparisons between current and prior year Survey Universe Theatres, because the survey universe consists of different sets of theatres.

We highlight key changes for the **Trend Theatres** that participated in this survey each time it has been administered: in 1998, 2001 and 2004. Following the same set of theatres over time eliminates the variation that arises when different theatres participate in some years but not others.

The breakdown of theatres into six budget groups follows that of *Theatre Facts*, with Group 1 being the smallest theatres and Group 6 being the largest. The average budget size for participating theatres is \$3.77 million. Annual budgets range from \$90,000 to \$49 million.

### 2004 Survey Universe

111 theatres responded to the full 2004 Governing Board survey. Theatres are broken into budget groups according to their annual expenses (budget size) as follows:

Budget Group	Number of Theatres	Budget Size
6	11	\$10 million or more
5	11	\$5 million-\$9,999,999
4	12	\$3 million-\$4,999,999
3	45	\$1 million-\$2,999,999
2	16	\$500,000-\$999,999
1	16	\$499,999 or less

## THE BIG PICTURE: THE SURVEY UNIVERSE OF THEATRES

The 111 theatres in the Survey Universe are, on average, in their 28th season. In general, the older a theatre is, the larger its annual budget and board are.

Budget Group	Average Theatre Age	Average Number of Board Members
6	47	46
5	37	40
4	31	32
3	27	23
2	23	16
1	17	13

Founding artistic directors still can be found at 43% of theatres, and 32% of theatres still have founding members on their boards. Only 14% of theatres have founding managing leaders. Overall, the smaller its budget, the more likely it is that a theatre is still run by a founder. In fact, 56% of Group 1 theatres and 62% of Group 2 theatres are led by their founding artistic directors. Similarly, 31% of Group 1 theatres and 25% of Group 2 theatres are led by their founding managing directors. No Group 5 theatre in the survey is still run by a founding managing director.

The number of individuals serving on Survey Universe Theatre boards totals 2,849, for an average of 26 per theatre. Of these, 85% make personal contributions to their theatres' annual funds. On average, board contributions account for 12% of theatres' total annual operating funds, 39% of capital campaign funds, and

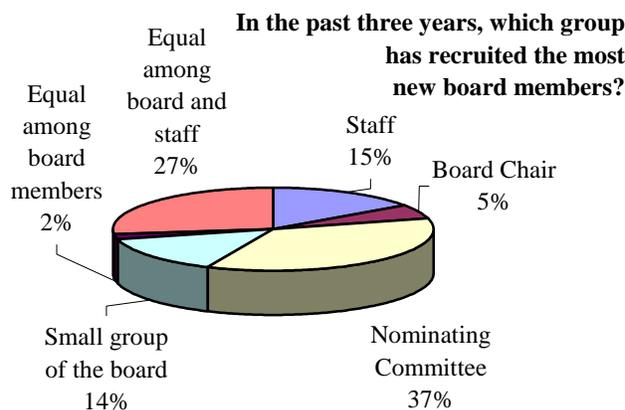
48% of cash reserves. Board members also extend the contact that theatres have with their communities and give of their time: theatres average seven board meetings a year lasting two hours each—not to mention a host of other activities designed to strengthen board performance and increase ownership in the theatre.

## Board Composition and Structure

Through their association, board members represent our organizations to the community. Boards consist of committed individuals who value live theatre, who want to see it thrive in the community and who desire ownership in theatre organizations. In this section, we examine who the individuals are that take on the responsibility of theatre governance, how we cultivate board members and how fundamental aspects of our boards are structured.

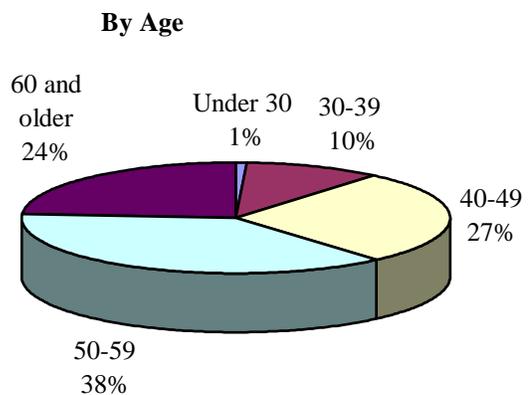
### The 2004 Survey Universe of Theatres:

- ◆ Tend not to set limits on the number of terms or consecutive years that board members can serve. Only 37% of theatres do so.
  - ▶ Of theatres with term limits, 53% limit the number of terms to two and 42% impose a three-term limit. Three years constitutes a term for 83% of theatres.
  - ▶ Of theatres that limit the number of consecutive years that board members can serve, 76% impose a limit of six years or less.
  - ▶ Consequently, most board members—70%—have served six years or less: 43% have served three years or less and 27% have served four to six years.



- ◆ Recruit new members through nominating committees, as was the case in 1998 and 2001.
  - ▶ 64% of Group 5 theatres depend on nominating committees for new board members.
  - ▶ At 38% of Group 1 theatres, staff is the primary source for recruitment of new board members.
  - ▶ No Group 5 or 6 theatre's board chair leads the board recruitment efforts.

- ◆ Average 65 % attendance per meeting.
  - ▶ Group 2 theatres average the highest level of member attendance at the most recent meeting—72%. Group 6 theatres have the lowest, at 58%.



- ◆ Are mainly comprised of board members between the ages of 40 and 59.
  - ▶ As was the case in 1998 and 2001, only 1 percent of board members are under the age of 30.
  - ▶ In the 1998 Survey Universe, 51% of board members were over age 50. In 2001, 58% of board members were over 50. This year, the percentage rose to 62%.
  - ▶ The smaller a theatre is, the greater the percentage of its board members under the age of 40. No Group 6 theatre board member was under the age of 30.
  - ▶ As in years past, only 1% of board members are physically challenged.

**Of the 2004 Survey Universe of Theatres:**

- ◆ Board members earn an estimated mean annual income of \$140,630.
  - ▶ Annual income estimates range between \$39,000 and \$700,000, a more narrow range than for the Survey Universes of 2001 and 1998.
  - ▶ In general, the larger a theatre is, the higher the estimated average annual income of its board members.
  
- ◆ 56% have senior board mechanisms to retain the wisdom and involvement of members who have retired from the board.
  - ▶ Of those, 31% have boards emeritus and 25% have honorary boards.
  - ▶ Only 32% of Group 2 theatres have mechanisms to retain relationships with those who have retired from boards, whereas 91% of Group 5 theatres do so.
  
- ◆ A mere 18% of theatres have junior board mechanisms to identify and develop future board members.
  - ▶ Of those, 65% have advisory boards and 45% have junior boards.
  - ▶ Group 1, 3 and 6 theatres report the lowest levels of junior boards.
  
- ◆ 58% of theatres have artists on their boards.
  - ▶ Those that do average 3 artists per board, unchanged from 2001.
  - ▶ Where only one artist was reported, that artist was often the artistic director.
  - ▶ Of theatres that do have artists on their boards, they account for an average of 33% of boards in Group 1 theatres and only 4% for Group 5 theatres.
  
- ◆ Every Group 4 theatre reports that board members provide pro bono work.

**Snapshot!**  
**Do You Have...**

Board professionals that provide *pro bono* work: 83%

Political figures on your board: 20%

Political figures with a formal relationship with your theatre, other than as a board member: 14%

Board members whose primary contribution is their name: 10%

Voting privileges for your artistic director: 49%

Voting privileges for your managing director: 24%

An artistic director who serves on other nonprofit boards: 41%

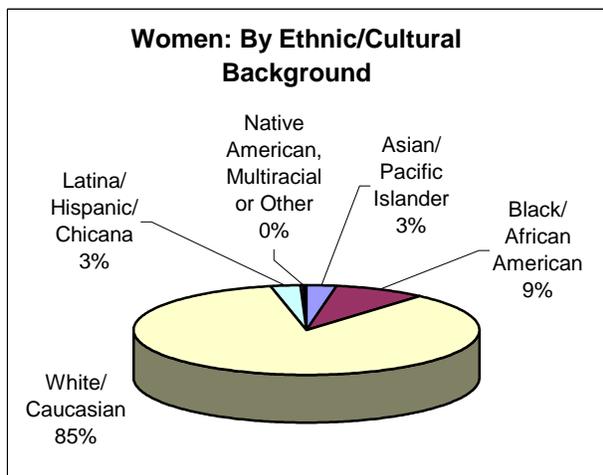
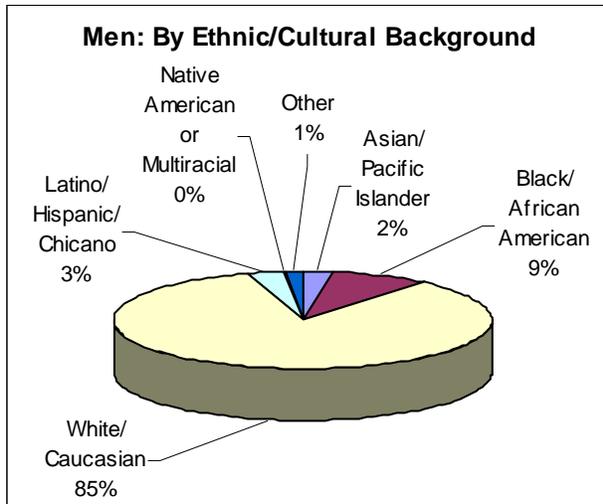
A managing director who serves on other nonprofit boards: 47%

- ◆ Groups 1, 2, and 6 theatres have the smallest number of political figures on their boards. No Group 5 theatre reported a formal relationship with a political figure other than a board member.
- ◆ Founders have greater voting privileges: 73% of founding artistic directors and 63% of founding managing leaders have voting privileges.

◆ In total, theatres reported 71 Asian Americans, 239 African Americans, 2,332 Caucasians, 77 Latinos and Latinas, 1 Native American, and 32 people of multiracial descent or other heritage serving on boards.

<b>Ethnic/Cultural Breakdown by Budget Group (Men and Women)</b>							
	All						
	Theatres	Group 6	Group 5	Group 4	Group 3	Group 2	Group 1
Asian/Pacific Islander	3%	1%	3%	2%	3%	8%	0%
Black/African American	9%	9%	9%	9%	5%	20%	12%
Caucasian	85%	85%	87%	87%	87%	67%	84%
Latino/Hispanic/Chicano	3%	2%	1%	1%	4%	4%	3%
Native American	0%	0%	0%	0%	0%	0%	0%
Multiracial	0%	0%	0%	1%	0%	0%	0%
Other	1%	3%	0%	1%	0%	0%	0%

- ◆ There was a slight change in the distribution of men on boards by ethnic/cultural background from the Survey Universes of 2001 and 1998. The breakdown of women remained almost exactly the same.
  - ▶ Whereas Caucasian men accounted for 90% of all male board members in prior years, they now account for only 85%. The proportion of African-Americans among male board members has risen 3 percentage points above past Survey Universes, that of Asian Americans, 1 percentage point, and of Latinos, 1 percentage point.



### Of the Survey Universe of Theatres:

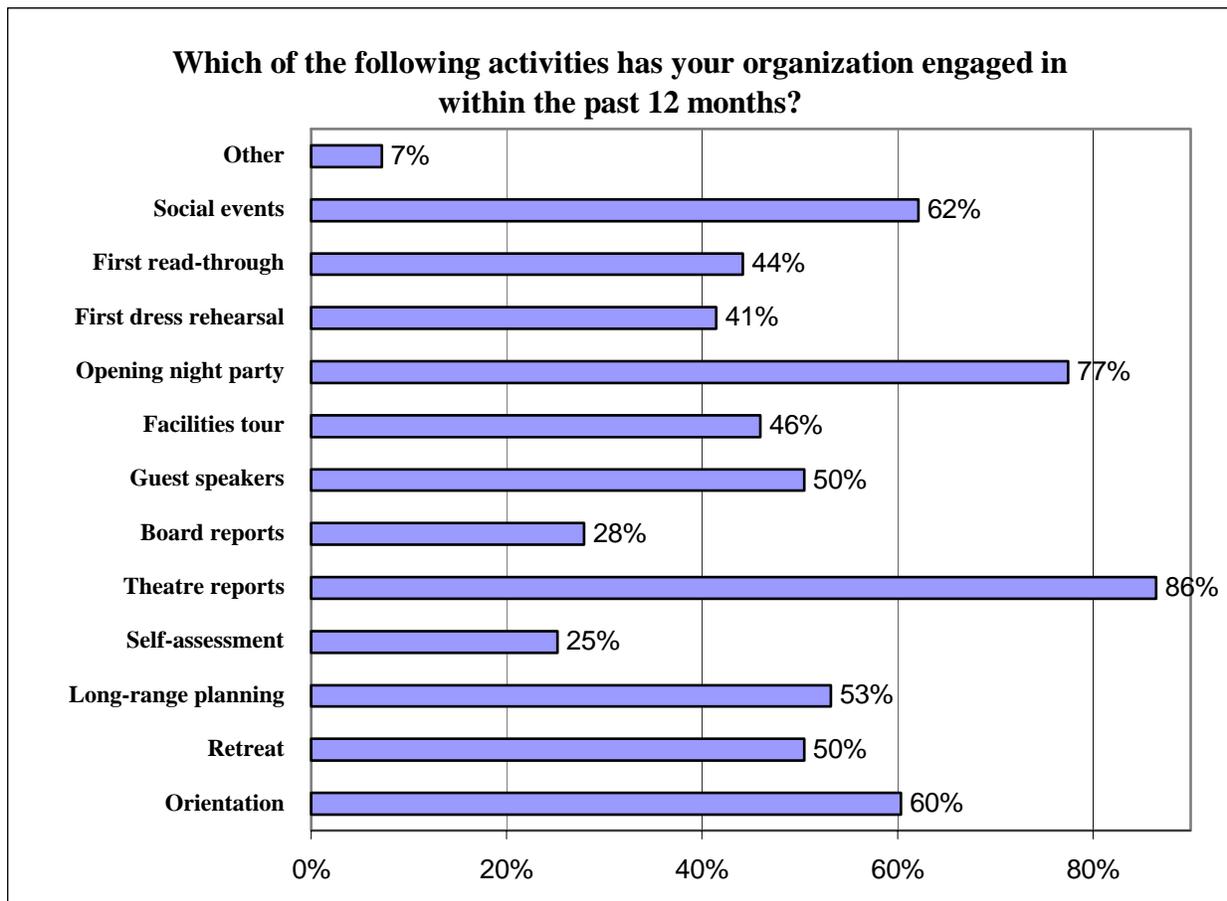
- ◆ Group 3 theatre boards have the highest representation of Caucasian men (86%) and Latino men (6%).
- ◆ On average, Group 2 theatre boards have the most diverse representation.
  - ▶ Group 2 theatre boards average the largest representation by Asian/Pacific Islander men (5%) and women (11%) and African American men (15%) and women (24%), and the lowest representation of Caucasian men (75%) and women (62%).
- ◆ Group 4 theatre boards have the least diverse female representation. 91% of the women on these boards are Caucasian.
- ◆ As was the case in both 1998 and 2001, Native Americans are the least represented ethnic/cultural group. No Survey Universe Theatre reported the service of Native American men on its board.
- ◆ Boards consist of 53% men and 47% women, in aggregate. The average board has 14 men and 12 women.
  - ▶ Group 2 theatre boards have the highest percentage of female membership—62%—and Group 4 and 6 boards have the lowest at 41%.
  - ▶ Group 3 theatre boards are nearly balanced with 51% men and 49% women.

## Board Development

Board development is closely linked to board composition and structure. Once an individual commits to serving as a trustee, it is incumbent upon the theatre to orient the new member and to develop a sense of investment in the long-term, successful life of the organization. In this section, we look at how theatres work to strengthen board performance and ownership in the organization, and how they measure success.

From the Survey Universe of 2001 to that of 2004, there was an improvement in managers' perceptions of how much their board members know about the theatre in the broader, artistic sense. In both years, only 6% of managers believed their board members to be either barely or not at all knowledgeable regarding the art of the theatre. The percentage of managers who responded that their board was *very* knowledgeable improved from 17% in 2001 to 29% in 2004. At the same time, the percentage of managers who believed their board to be *somewhat* knowledgeable shifted from 77% in 2001 to 64% in 2004.

Three out of four managers in the Survey Universe of 2004 believed that their theatres were responsible for educating their boards about the art of the theatre. Education efforts take myriad forms. Efforts to engage board members in the life of the theatre and educate them about the art form are represented by the chart below, which shows the variety of theatre activities that board members are encouraged to attend. In addition to buying into a theatre's mission and goals financially with contributions, board members give generously of their time as they become intertwined with the theatre's artistic, administrative, and social life. As board relationships are strengthened and board members become more knowledgeable about the art that is at the core of our organizations, they also become more valuable assets.



**Of the 2004 Survey Universe of Theatres:**

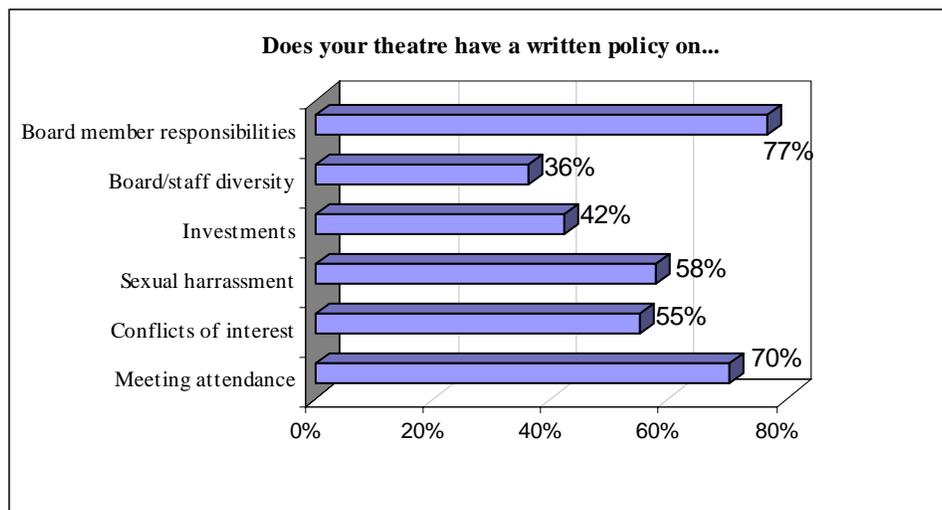
- ◆ Every Group 6 theatre distributes reports to its board about the theatre's activity and invites board members to opening nights.
- ◆ One in four conducts an exit interview when someone leaves its board.
- ◆ Only 31% of Group 1 theatres invite guest speakers or have special presentations at meetings, whereas 91% of Group 5 theatres engage in these activities.
- ◆ Fewer Group 2 theatres conduct board self-assessment (13%) and invite board members to first dress or a technical rehearsal (25%) than do theatres in other groups.
- ◆ At theatres where management believes it is the responsibility of their theatre to educate their board about theatre as an art form, only 48% invite board members to first dress or a technical rehearsal and 45% invite board members to a first read-through of scripts.

## Of the 2004 Survey Universe of Theatres:

- ◆ Three out of every four theatres have long-range plans.
  - ▶ Fewer Group 6 theatres—only 63%—report having long-range plans than do theatres in other groups.
  - ▶ Of theatres that do have long-range plans, 75% find them helpful in daily decision-making and short-term planning.
- ◆ 74% see lack of time and 59% see other priorities as obstacles to board development.
  - ▶ More than half of the Group 1 theatres saw lack of money as a key obstacle to board development.
- ◆ 74% have had board retreats in the past four years.
  - ▶ Of those, 89% feel their retreats were successful.
  - ▶ 57% of board retreats were led or moderated by outside professionals. Three out of four theatres that used outside moderators would recommend these individuals to other theatres.
- ◆ More than half—66%—have board manuals.
  - ▶ 91% of Group 4 and 6 theatres have them, whereas three out of every four Group 2 theatres do not.
- ◆ On the whole, managers believe that racial and ethnic diversity is the most important form of community diversity for their board members to represent. Religious diversity is seen as least important. Group 2 theatre managers feel that having diversity of artists and non-artists on their boards is nearly as important as a balance of racial diversity.
- ◆ Across all budget groups, boards rank financial stability as the most important measure of success and critical reviews as the least important measure. This is unchanged from the Survey Universe findings in 2001.
  - ▶ Attendance, their own experience with the art, and financial growth are most often ranked as moderately important.

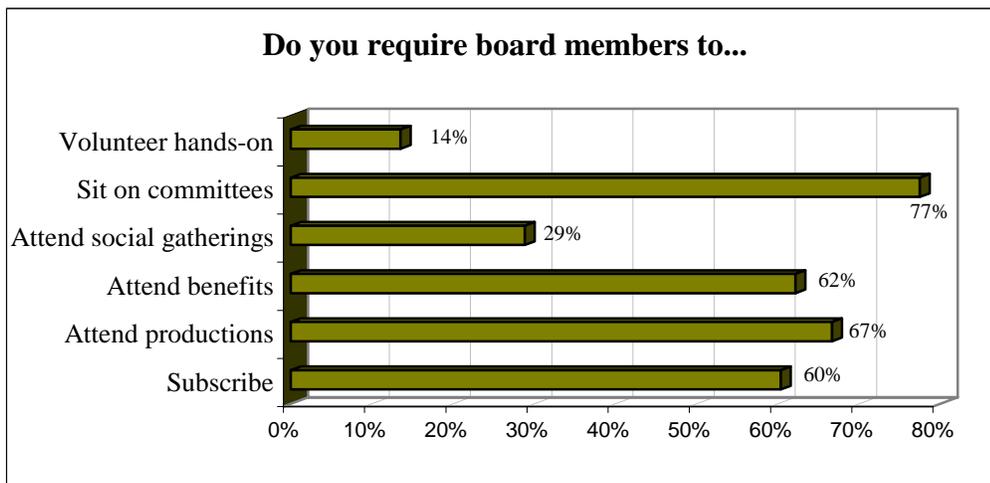
## Board Policies

Armed with a better understanding of who serves on our boards and the practices employed to develop a group of members into a cohesive, effective helm, we now turn to what is required of board members. Most trustees are leaders of the community who manage work forces in their own corporations. Formal policies and manuals are commonplace in corporate America. Clear articulation of expectations and priorities help trustees know what to expect of board members while helping board members know the full scope of what is expected from them. Many theatres have developed and formalized a variety of board policies. Adherence to these policies and fulfillment of responsibilities is taken seriously. More than half of the theatres in the Survey Universe—65%—ask board members to leave when they are not fulfilling their duties (most often that request comes from the board chair).



**Of the 2004 Survey Universe of Theatres:**

- ◆ Most theatres—77%—have written lists of board responsibilities.
  - ▶ Every Group 5 theatre documents board responsibilities. Only 56% of Group 2 theatres do so.
- ◆ No Group 1 theatre has a written policy on investments.
- ◆ Board members are required to attend productions but not necessarily to subscribe.
  - ▶ Only 60% of theatres require board members to subscribe, while 67% require that board members attend productions.
  - ▶ Smaller theatres are less likely to offer a subscription series. As a result, only 38% of theatres in Groups 1 and 2 require board members to subscribe, whereas 81% of Group 5 and 6 theatres require board members to subscribe.

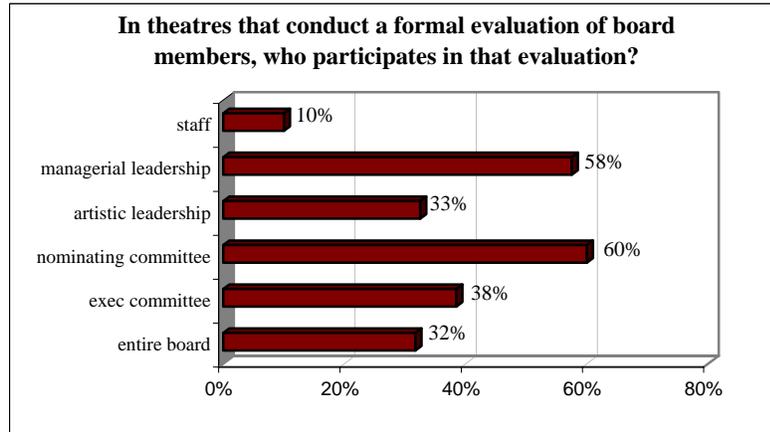


**Of the 2004 Survey Universe of Theatres:**

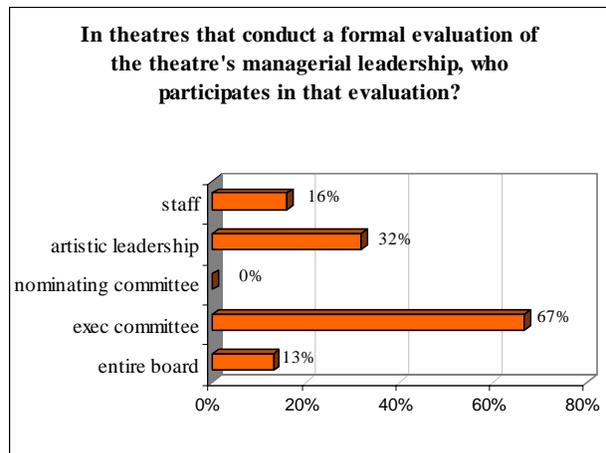
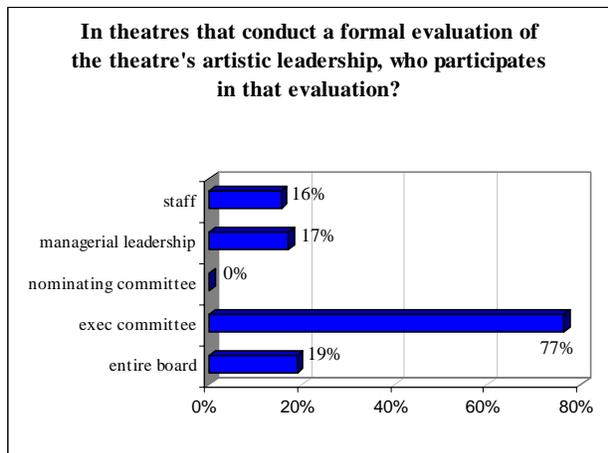
- ◆ The number of theatres that require board members to volunteer is 4 percentage points higher than in the Survey Universe of 2001. This may be due to differences in the constitution of the Survey Universe, or it could reflect increased theatre needs in the face of belt-tightening.
  - ▶ No Group 5 or 6 theatre requires board members to volunteer at its theatre in a hands-on capacity.
- ◆ No Group 6 theatre requires that board members attend social gatherings, but every Group 6 theatre makes service on a committee mandatory.
- ◆ Participation on committees remains the activity most required of trustees, continuing the precedent set in 1998 and 2001.
- ◆ With each governing board survey, the percentage of Survey Universe theatres that conduct formal evaluation of the theatre’s leadership has steadily increased.
  - ▶ Formal board evaluation of artistic leadership was conducted by 42% of Survey Universe theatres in 1998, 47% in 2001, and 58% in 2004.
  - ▶ Formal board evaluation of managerial leadership increased from 42% of theatres in the Survey Universe of 1998 to 51% in 2001 and 61% in 2004.
  - ▶ Formal evaluation of board members occurred in 30% of Survey Universe theatres in 1998, 31% in 2001, and 37% in 2004.

**Of the 2004 Survey Universe of Theatres:**

- ◆ Theatres of different budget sizes vary in their evaluation of leadership.
  - ▶ 38% of Group 2 theatres conduct formal evaluation of their managing directors, 31% have formal mechanisms for their boards' self-evaluation and only 25% formally evaluate their artistic directors.
  - ▶ Only 6% of Group 1 theatres formally evaluate their board members.
  - ▶ Artistic directors are formally evaluated in 81% of Group 5 theatres.



- ◆ Nominating committees and managerial leadership have the greatest participation in evaluating board members.
- ◆ Larger theatres have a greater tendency to conduct formal evaluation of board members. To illustrate, only 8% of Group 1 theatres do so, as compared to 64% of Group 6 theatres.



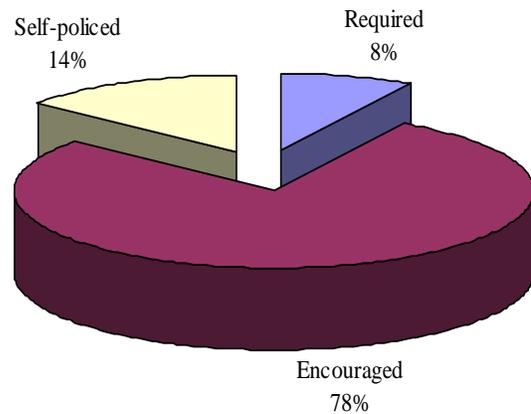
- ◆ Nominating committees played no role at all in the evaluation of artistic or managerial leadership, down from 4% (for artistic leadership) and 6% (for managerial leadership) of 2001 Survey Universe Theatres.
- ◆ In theatres where formal evaluations occur, only 17% of managing leaders evaluate their artistic leadership, whereas 32% of artistic leaders evaluate their managing leaders.

- ◆ Only 15% of trustees provide professional services for which the theatre pays a fee or retainer. When this occurs, 65% of the time the fee is offered at a substantially reduced rate, and the difference is considered an in-kind contribution.
- ◆ More than half of the Survey Universe Theatres—64%—carry directors’ and officers’ insurance for board members.
  - ▶ The average cost per year is \$3,823.
  - ▶ Only five of the theatres that do carry officers’ insurance pay for it out of their theatres’ budgets.
- ◆ The majority of theatres—77%—require board members to make annual personal contributions.
  - ▶ Of those theatres, 57% have minimum suggested contributions. Most often the suggested amount is \$1,000, just as it was in 2001.
  - ▶ The average minimum amount required by Group 1 theatres was lower than it was three years ago: \$475 in 2004 (with a range of \$100 to \$750) vs. \$754 in 2001.
  - ▶ Of theatres that do not suggest a minimum amount, 20% expect board members to make their theatre one of their highest giving priorities.

<b>Do you require board members to make an annual personal donation?</b>						
	<b>Group 6</b>	<b>Group 5</b>	<b>Group 4</b>	<b>Group 3</b>	<b>Group 2</b>	<b>Group 1</b>
% requiring an annual donation	91%	91%	92%	76%	69%	63%
Of those that do...						
% that suggest a minimum amount	64%	50%	73%	56%	55%	20%
Minimum suggested amount: Low	\$ 1,000	\$ 1,000	\$ 1,000	\$ 250	\$ 200	\$ 100
Minimum suggested amount: High	\$ 10,000	\$ 2,500	\$ 3,000	\$ 5,000	\$ 1,000	\$ 750
Average	\$ 5,889	\$ 1,850	\$ 2,125	\$ 1,693	\$ 575	\$ 425

- ◆ More than half of Survey Universe theatres—56%—require board members to help obtain/solicit funds from other sources.
  - ▶ Of those, 26% have a minimum suggested amount.
  - ▶ Suggested minimum amounts occurred in nine Group 3 theatres but only one theatre in each of Groups 1 and 4, from other sources.
- ◆ A ‘give or get’ policy, which allows board members to do one or the other, is in place at 39% of theatres.
  - ▶ Of those, 77% suggest minimum amounts, ranging from \$250 to \$25,000.
- ◆ Nearly half of all board members—45%—give at the minimum giving level, and 7% give no gift at all. The remaining 48% of board members give above the minimum level.
  - ▶ The proportion of trustees giving at the minimum level has grown 9 percentage points since the Survey Universe of 2001 and 19 percentage points since the Survey Universe of 1998.

**Cultivation of potential donors and board members by current governing board members (e.g., bringing them to theatre functions) is...**



## Board Gifts

	Annual Fund	Capital Campaign	Cash Reserve*	Other
# Theatres responding	98	29	14	15
Total # board members making gifts	2,424	382	158	242
Average # board donors per responding theatre	25	13	11	16
Total cash/cash equivalent gifts	\$ 14,929,688	\$ 63,833,643	\$ 839,301	\$ 7,137,609
Average total \$ per responding theatre	\$ 152,344	\$ 2,201,160	\$ 59,950	\$ 475,841
Average fund balance represented by board gifts	13.68%	39.35%	48.17%	43.96%
Average per person	\$ 6,159	\$ 167,104	\$ 5,312	\$ 29,494
Total in-kind	\$ 1,254,283	\$ 1,387,099	\$ -	\$ 590,583
Average total in-kind per responding theatre	\$ 12,799	\$ 47,831	\$ -	\$ 39,372

\* or other board-designated funds

- ◆ Overall, total trustee cash donations per theatre were higher in 2004 than 2001 to annual funds, capital campaigns and other (e.g., debt reduction, executive search funds, etc.). Gifts to cash reserves, on the other hand, were down from \$541,631 per Survey Universe Theatre in 2001 to only \$59,950 per Theatre in 2004.
- ◆ Theatres averaged \$152,344 each in total gifts to their annual funds by trustees, or \$6,159 per board member. This average is up from \$121,525 for the Survey Universe in 2001, when the average per trustee was \$5,455. The average annual fund balance represented by board gifts dropped from 16.46% in 2001 to 13.68% in 2004.
- ◆ In-kind giving to annual funds by trustees was down significantly for the Survey Universe: \$12,799 average total in-kind giving in 2004 vs. \$36,466 in 2001.
- ◆ No Group 1 or Group 4 theatre reported board contributions to a cash reserve; only one Group 1 and one Group 2 theatre reported board gifts to either a capital campaign or other board-designated fund.
- ◆ Not surprisingly, the larger a theatre, the higher the average board giving to its annual fund. Group 1 theatres average \$12,888 per year in total board gifts; Group 2 theatres, \$34,594; Group 3 theatres, \$61,332; Group 4 theatres, \$216,386; Group 5 theatres, \$310,311; and Group 6, \$490,905.
- ◆ Every budget group had at least one theatre that reported trustee gifts to a capital campaign.
- ◆ Overall, 83% of board members made contributions to their theatres' annual fund.
  - Group 5 theatres reported the highest percentage of board participation in annual giving: 91%.

## Board/Staff Relations

Strong, well-defined relations between trustees and staff members are perhaps the most important mechanisms for increasing the board's ownership in the theatre. In this section, we examine the intensity and frequency of board/staff interactions, as well as the quality of the relationship between these two vital stakeholders.

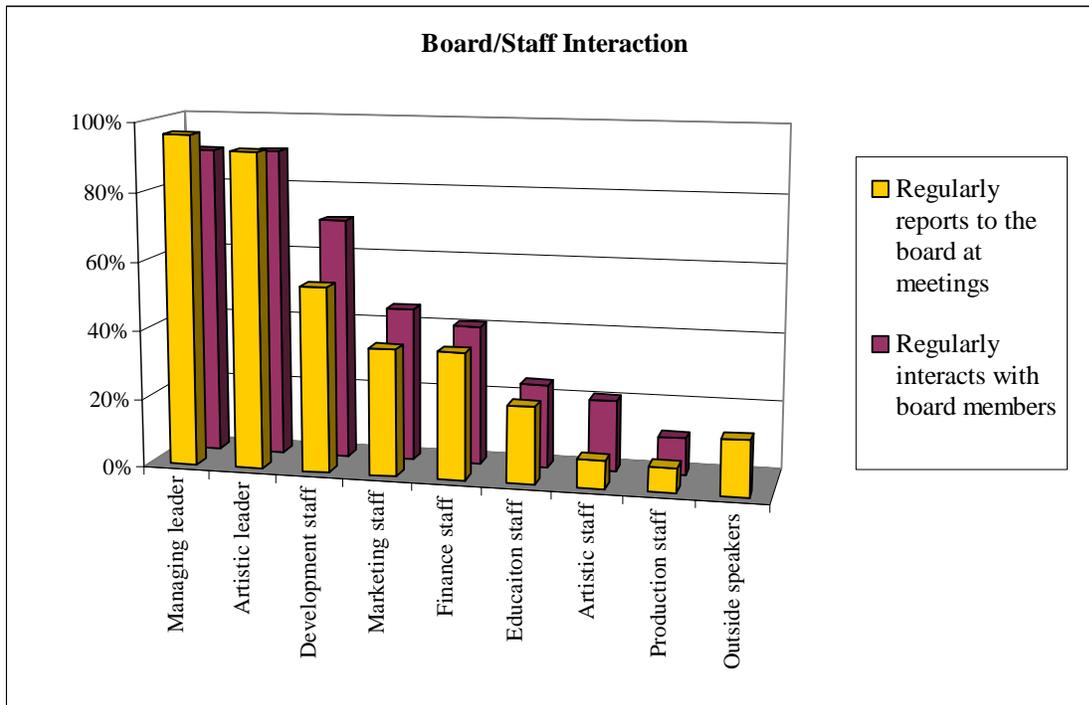
Not only do board members devote time, talents and resources to theatres, but theatres also dedicate a considerable amount of time and effort to maintaining relationships with trustees. The commitment works both ways.

### **Of the 2004 Survey Universe of Theatres:**

- ◆ Most managing leaders (96%) and artistic leaders (92%) regularly make reports to the board at meetings.
- ◆ Most staff members regularly interact with board members more than they engage in the formal activity of making board presentations.

- ◆ At 90% of theatres, both managing leaders and artistic leaders interact with board members on a regular basis outside of board meetings. This balance

represents a change from 2001, when interaction was engaged in regularly by 95% of managing leaders and 86% of artistic leaders.



- ◆ Managing leaders spend an average of 6 hours per week working with board members on board-related matters, while artistic leaders average 4 hours per week, development directors average 4 hours 20 minutes, and marketing directors 1 hour 15 minutes.
- ◆ A board of directors is responsible for hiring the artistic director in 85% of theatres. In some remaining theatres, artistic directors are hired either by executive committees or umbrella organizations.
- ◆ Some theatres are still led by their founding artistic directors and have not yet established succession policies. This is particularly common at smaller theatres.
- ◆ Managing leaders are hired by boards in 66% of theatres and by the producing or artistic directors in 12% of theatres.

- ◆ In 44% of theatres, board chairs interview candidates for important staff positions that require a high level of interaction with their boards.
- ◆ A theatre's artistic leader formally solicits feedback from the board in only 39% of theatres.
  - ▶ This is true whether the artistic leader is a founder or not.
  - ▶ Half of all Group 4 theatres' artistic leaders solicit feedback from trustees.
- ◆ Managers believe that their relationships with boards are very close and quite cordial, and that the relationships between artistic leaders and their board are close and cordial but a little less so.
  - ▶ In Group 3 and 4 theatres, artistic leaders are perceived as having closer relationships with their boards than managing leaders.
  - ▶ The perception is that founding artistic directors have slightly closer relationships with their trustees than do non-founders.

## Board Committees

Three out of every four theatres require committee work of the members of their boards. As the most common mandatory obligation asked of trustees, committee participation deserves attention, as do committee structure and evaluation. Theatres create a variety of board committees based on individual needs. In addition to those listed below, theatres also form committees to address personnel issues, major individual gifts, facilities, real estate, education, board development, investments, capital campaigns, long-range planning, and operations.

Which of the following committees does your board employ?							
	Executive	Nominating	Finance	Development	Marketing	Gala/Benefit	Artistic
Percent of theatres with this committee	90%	79%	86%	72%	49%	83%	17%
Average number of members	8	6	6	8	7	9	6
Average number of meetings per year	7	4	6	6	6	6	3
Managing leader on the committee	85%	73%	87%	77%	73%	61%	79%
Managing leader votes	34%	29%	29%	32%	27%	34%	42%
Staff is directly involved	67%	74%	80%	91%	85%	88%	74%

### Of the 2004 Survey Universe of Theatres:

- ◆ Executive, finance, and gala/benefit committees are active in more than 80% of theatres.
  - ▶ Every Group 5 and 6 theatre has an executive, nominating and finance committee.
  - ▶ No Group 4 theatre has an artistic committee, whereas 42% of Group 2 theatres report having artistic committees.
  - ▶ The larger a theatre is, the more likely it is to have a finance committee.
- ◆ There are more marketing committee members and meetings per year, on average, than was the case in 2001.
  - ▶ 92% of Group 5 theatres have marketing committees, far more than theatres in any other group.
- ◆ Managing leaders are extensively involved in board committees, participating on every committee in approximately three out of four theatres but having voting privileges only about 30% of the time.
  - ▶ Founding managing directors have voting privileges on 56% of executive committees and 43% of finance and development committees.
- ▶ Voting privileges are granted to the managing director in 42% of theatres with an artistic committee.
- ◆ Staff members are directly involved in committee work at the majority of theatres. Development, marketing, and gala/benefit committees particularly involve the staff.
  - ▶ Staff members are involved with executive committees to a lesser extent than they are with other committees.
  - ▶ Every Group 5 theatre reported direct staff involvement with the nominating and finance committees.
- ◆ Managing directors assess their executive and finance committees as the most effective and their marketing committees as the least effective.
- ◆ Only one in five theatres employs procedures for board involvement in lieu of committees, such as appointing board liaisons to work with staff in various departments.

## TREND THEATRES

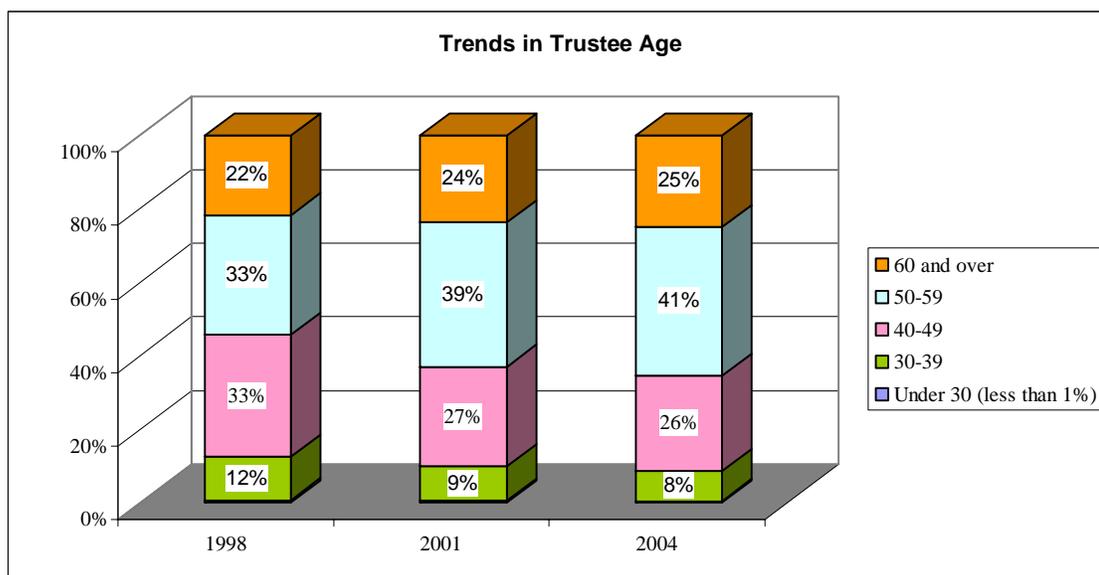
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The majority of theatres that participated in the 2004 governing boards survey did not participate in both 2001 and 1998. We now offer some insights into how board policies, composition, structure, relationships and decisions have changed over time for the 31 **Trend Theatres** that participated each year. This provides us with the cleanest assessment of organizational changes from 1998 to 2004, since we follow the practices of the same set of theatres over time. Where no trend is noted, it is due to the fact that responses fluctuated over time and no trend emerged.

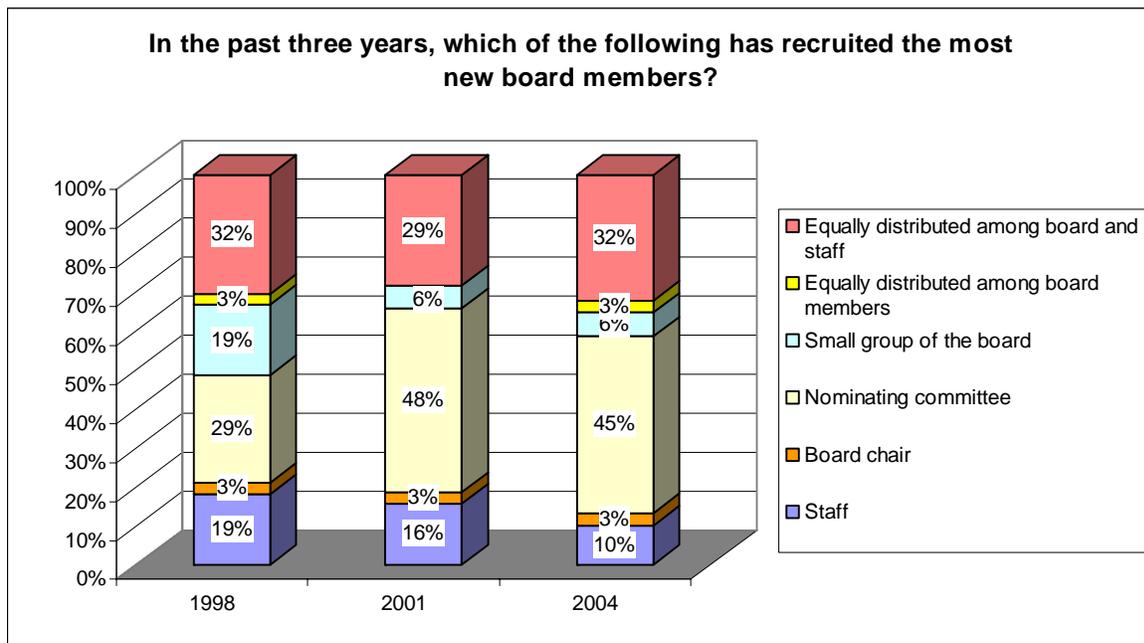
Time has had no effect on many areas. There has been little change over the past six years in the number of board meetings held by theatres, the duration of each meeting, and the number of attendees. Perceptions of the importance of board diversity remain virtually unchanged. Theatres also have been consistent in whether or not they impose term limits for board members and the duration of the terms. There has been little change in the number of theatres holding retreats or their views on whether retreats have been successful. The same management and staff continue to regularly report to boards; there has been little change in the placement of those responsibilities over time.

### Of Trend Theatres:

- ◆ The average budget grew steadily, from \$3.96 million in 1998 to \$5.4 million in 2001 and \$5.9 million in 2004. This is skewed by unusually high budget growth at several large-budget theatres. If we consider the median (the mid-point of the range of budgets) rather than the mean (the arithmetic average), the change is less dramatic: \$2 million in 1998 vs. \$3.1 million in 2004.
  - ▶ The smallest budget among Trend Theatres increased from \$50,000 to \$90,000 per year; the largest budget expanded from \$13.7 million in 1998 to \$20.9 million in 2004.
  - ▶ Despite the poor economy of recent years, only 5 of the 31 Trend Theatres reported a lower annual budget in 2004 than in 2001.
  
- ◆ Average board size increased slightly, from 32 members in 1998 and 2001 to 33 members in 2004.
  - ▶ With each survey year, there has been a subtle shift in the male/female make-up of the average board. In 1998, men comprised 58% of the board and women 42%. Now there is more balance, with 54% of trustees men and 46% women.
  - ▶ There has been little change in the cultural or ethnic diversity of trustees over time.
  - ▶ In total, 13 Trend Theatre trustees were physically challenged in 2001 vs. 11 in 2004.
  
- ◆ Board members are older now, on average, than they were in 1998.
  - ▶ The percentage of trustees under the age of 50 has diminished considerably, while that of trustees 50 and over has grown. This could reflect general demographic trends, influenced by the aging of baby boomers.

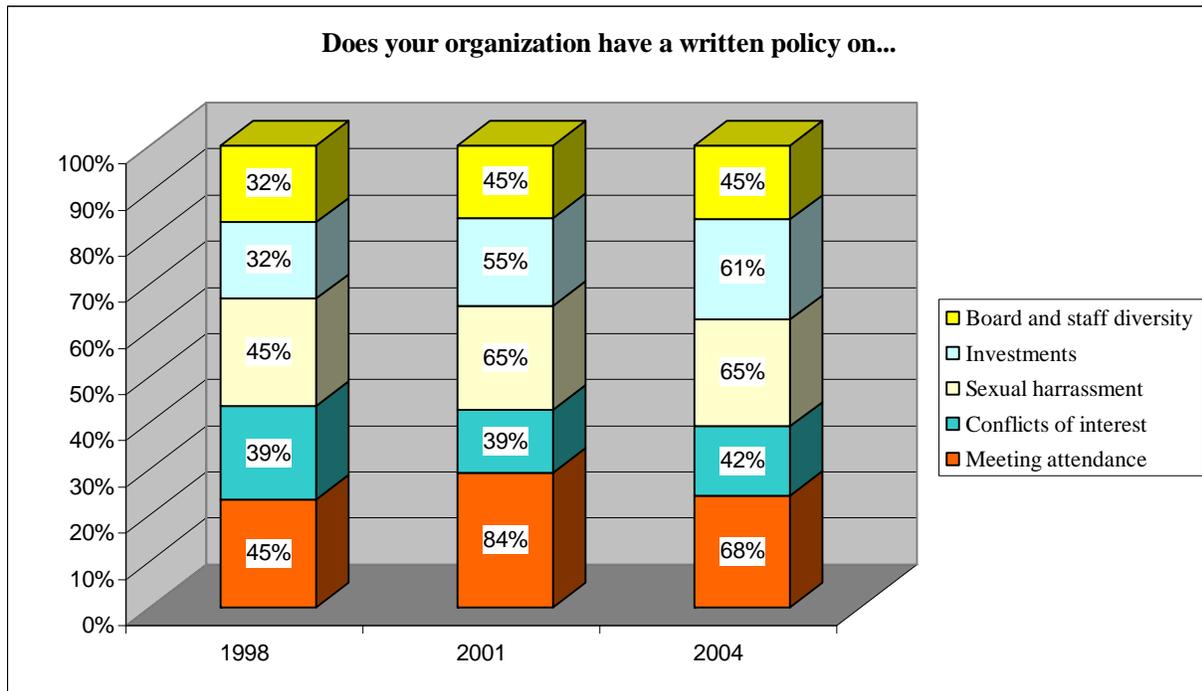


- ◆ The estimated mean annual income of board members is significantly higher in 2004 (\$163,800) than it was in 1998 (\$121,166).
- ◆ The proportion of artistic and managing directors who have voting privileges is five percentage points lower in 2004 than it was in either 2001 or 1998.
  - ▶ This may be influenced by the fact that there are fewer founding artistic directors at Trend Theatres now than in the previous two survey years by a margin of five percentage points.
- ◆ Only 52% of theatres had artists on their boards in 2004, as compared with 61% in 2001.
- ◆ Theatres have an increasing level of pro bono work donated by board members or their firms. Pro bono work was reported by 71% of theatres in 1998 and by 90% in 2004.
- ◆ Over time, theatres have become less structured in how they retain the wisdom and involvement of members who have retired from the board. In 1998, 61% of theatres had a senior board mechanism such as an honorary board or board emeritus. That figure dropped to 55% in 2001 and to 52% in 2004.
- ◆ Involvement of political figures is down.
  - ▶ There are fewer Trend Theatres with political figures serving on their boards, by a margin of six percentage points. In 1998 and 2001, 35% of theatres reported having politicians, whereas only 29% did in 2004.
  - ▶ Fewer theatres are reporting formal relationships with political figures in some capacity other than as governing board members: 26% of theatres reported having these relationships in 1998, 23% in 2001, and only 13% in 2004.



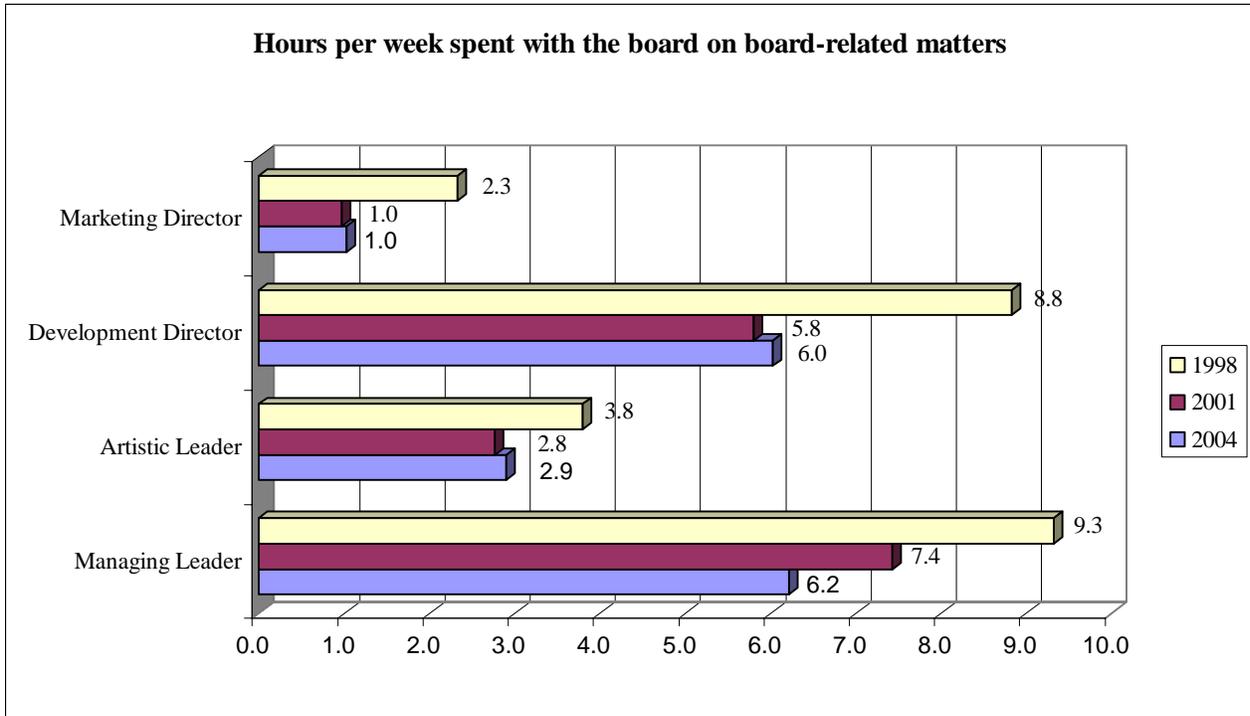
- ◆ Staff and small groups within boards have played diminishing roles in the recruitment of board members, as the use of nominating committees has increased.
- ◆ Theatres have fluctuated over the years in requiring board members to engage in activities such as subscribing, attending productions, attending social gatherings, and participating on committees. The only activity that has increasingly become mandatory is attendance at fundraising benefits, which was reported by 61% of theatres in 1998 and 74% in 2004.

- ◆ Theatres are putting more policies in writing, concerning everything from board and staff diversity to investments to conflicts of interest. 87% of theatres formalized board member responsibilities in writing in 2004, whereas only 77% did in 1998. Additionally, more theatres have board manuals—65% in 1998 and 74% in 2004.



- ◆ More theatres now require that board members make annual personal donations. In 1998 and 2001, three-quarters of all theatres mandated personal giving. That figure was 87% in 2004.
  - ▶ For theatres that place a minimum requirement on personal giving, that minimum has risen steadily from \$2,013 in 1998 to \$2,390 in 2001 and to \$2,844 in 2004—a 19% increase in each three-year period.
- ◆ There has been little change in the percentage of theatres requiring board members to solicit funds from other sources. Each year, roughly 65% of theatres place this obligation on trustees.
  - ▶ The percentage of theatres requiring a minimum “get” has fluctuated over the years, as has the minimum amount required. Of the theatres that require board members to obtain funds from elsewhere, about 35% suggest a minimum amount, which has ranged between \$7,000 and \$8,000 over the three years studied.
- ◆ More theatres now have a “give or get” policy. In 1998 and 2001, one-quarter of all theatres obliged trustees to either make a personal donation or obtain funds from elsewhere. That figure has now risen to 42%.
  - ▶ 67% of theatres with a “give or get” policy suggested a minimum amount in 1998 and 2001, with that figure increasing to 85% by 2004.
  - ▶ The minimum also has risen steadily, from \$7,300 in 1998 to \$8,400 in 2004.
- ◆ The proportion of board members who gave above the minimum level has fluctuated from 53% in 1998 to 41% in 2001 and 51% in 2004.
  - ▶ Only 6% of board members gave no gift at all in both 2001 and 2004.
- ◆ Fewer board members are making personal contributions, either cash or in-kind.
  - ▶ In 1998, 93% of board members gave to their annual funds. This figure decreased to 89% in 2001 and to 83% in 2004. Board donations constituted 16% of total annual funds in 2001 and only 9% in 2004
  - ▶ Board giving to capital campaigns is also down. In 1998, 63% of board members gave to capital campaigns. This figure decreased to 49% in 2001 and to 43% in 2004. However, many campaigns ended by 2004, which would account for this.
  - ▶ Board giving to cash reserves or other board-designated funds has remained steady at 41% board participation per year.

- ◆ More theatres ask board members to leave when they are not fulfilling their duties: 68% in 1998 vs. 74% in 2004.
- ◆ Officers' insurance for board members has become more commonplace. 52% of theatres carried officers' insurance in 1998, 63% in 2001 and 65% in 2004.
  - ▶ Its average cost per year has increased over time, from \$3,427 in 1998 to \$4,645 in 2004.
- ◆ Fewer theatres conduct formal evaluation of board members: 45% did in 1998, 35% in 2001, and only 29% in 2004.
  - ▶ There has been little change in who does the evaluating—most often, the nominating committee or managing leadership of the theatre.
- ◆ More theatres conduct exit interviews with board members who rotate off: 13% of theatres did so in 1998 and 2001 as compared to 19% of theatres in 2004.
- ◆ Formal evaluations of theatres' artistic and managing leaders have become slightly more commonplace. Roughly 58% of theatres formally evaluated the artistic and managing leader in 1998 vs. 64% in 2004.
- ◆ Theatres are engaging in far more board development and strengthening activities.
  - ▶ More theatres are engaging in board orientation programs for new members (65% of theatres in 1998 vs. 77% in 2004); board retreats (48% of theatres in 1998 vs. 55% in 2004); board self-assessment (23% in 1998 vs. 29% in 2004); distribution of reports about the theatre's activities and programs (77% in 1998 vs. 97% in 2004); opening night parties (77% in 1998 vs. 90% in 2004); and invitations to first read-throughs of scripts (up to 52% in 2004 from 39% in 1998).
  - ▶ The only activities that were engaged in less frequently were long-range planning (a decrease from 68% to 55% of theatres) and invitations to first dress or technical rehearsals (45% of theatres in 1998 vs. 39% in 2004). Not surprisingly, fewer theatres have a long-range plan in place (a decrease from 74% in 1998 to 67% in 2004) and those that do find it increasingly less helpful in daily decision making and short-term planning.
- ◆ Perceived obstacles to board development have shifted. In 1998, more theatres perceived that other matters that took priority were a key obstacle to board development, whereas lack of time became a more critical obstacle by 2004.
- ◆ Financial stability has remained boards' key measure of a theatre's success, and reviews consistently rank as being the least important measure.



- ◆ Managing leaders, artistic leaders, development directors and marketing directors all spent fewer hours per week working with board members on board-related matters in 2004 than in 2001.
- ◆ Generally speaking, interaction between staff and trustees has increased overall and changed slightly over time. Finance staff members are less likely to interact with board members, while education, artistic, production, and development staff members are more likely to interact with trustees in 2004 than they were in 1998.
- ◆ Trustees are perceived as being increasingly knowledgeable about theatre. This may be due simply to changes in perception, or it may be due to the increase in board development activities and interaction with staff. Each year, more than three out of every four theatres sees itself as having responsibility for educating its board about theatre as an art form.
- ◆ Although relations between managing and artistic leaders and trustees are generally perceived as quite close and cordial, the relationships between managing leaders and boards are perceived as becoming slightly less cordial over time, while the relationships between artistic leaders and boards are perceived as having become increasingly close.
- ◆ Executive, finance, development, marketing, and gala/benefit committees have become increasingly employed by Trend Theatres.
  - ▶ Marketing committees were consistently ranked as the least effective committees of boards, and executive committees are perceived as the most effectively functioning committees.
  - ▶ Over time, finance and development committees have become more effective, while gala/benefit committees have become increasingly less effective.

## CONCLUSION

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Governing board members are charged with the important task of strengthening theatres' artistry and fiscal stability simultaneously. A successful board enhances a theatre's public standing in its community and ensures that the theatre has adequate resources to fulfill its mission. This success requires an understanding of the art form, and in this report we find that trustees are increasingly knowledgeable about theatre. Many publications point to an effective board as having a clear sense of its governing work, and in this report we find that theatres are increasing their efforts to clearly articulate board member responsibilities and obligations.

Involving three surveys covering a span of six years, this report begins to shed light on emerging trends. Boards are aging. Theatres are left with the challenge of recruiting and developing younger board members to become the lifeblood of boards in years to come. There are now fewer artists serving on boards than in 1998, and fewer artistic and managing directors now have voting privileges. This raises the question of whether artistic concerns will be adequately represented in future decision-making. Theatres are seeing a decrease in the percentage of board members who make a personal contribution to annual funds or to capital campaigns, and it appears that theatres' increasingly common response is to make personal giving mandatory. At the same time we are beginning to see an increase in activities designed to strengthen the bond between trustees and theatres, fewer staff hours per week are spent with trustees on board-related matters.

This report provides a nuts and bolts view of governing board structure, policies, and development activities based on the governing boards survey administered to TCG member theatres. It presents theatres' average response to questions and is not intended to be prescriptive of an ideal. Each theatre, its governing board and its community are unique. The more we know about our boards and what makes them successful, the stronger and more effective they can become.

## METHODOLOGY

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The information in this report comes as the result of a survey administered by TCG to its member theatres. The following theatres participated in the survey in 2004:

The Acting Company, Actor's Theatre of Charlotte, Actors Theatre of Phoenix,  
The African Continuum Theatre Company, Alabama Shakespeare Festival, Alliance Theatre,  
Amas Musical Theatre, American Conservatory Theater, American Folklore Theatre,  
American Players Theatre, Arena Stage, Asolo Theatre Company, B Street Theatre,  
Burning Coal Theatre Company, California Shakespeare Theater,  
Center Theatre Group/Mark Taper Forum and Ahmanson Theatre, Charleston Stage Company,  
Charlotte Repertory Theatre, Childsplay, Inc., Cincinnati Shakespeare Festival, City Theatre Company,  
The Colony Theatre Company, Columbus Children's Theatre, Commonweal Theatre Company,  
Cornerstone Theater Company, Court Theatre, Curious Theatre Company, Dallas Children's Theater,  
Delaware Theatre Company, Dell'Arte International, Detroit Repertory Theatre, East West Players,  
Ensemble Theatre Company of Santa Barbara, Everyman Theatre, Florida Repertory Theatre, Gamut Theatre Group,  
The Goodman Theatre, Great Lakes Theater Festival, Hartford Stage, Huntington Theatre Company,  
Idaho Shakespeare Festival, Imagination Stage, Infernal Bridegroom Productions, International City Theatre,  
Intiman Theatre, The Jungle Theater, L.A. Theatre Works, Lark Play Development Center, Long Wharf Theatre,  
Ma-Yi Theater Company, Main Street Theater, Manhattan Theatre Club, McCarter Theatre Center,  
Metro Theatre Company, Mill Mountain Theatre, Milwaukee Repertory Theater, New Repertory Theatre,  
Next Act Theatre, North Coast Repertory Theatre, Northern Stage, North Shore Music Theatre, Northlight Theatre,  
The Open Eye Theater, Oregon Shakespeare Festival, The Paper Bag Players, Paper Mill Playhouse,  
The Pearl Theatre Company, Penobscot Theatre, Penumbra Theatre Company, Perishable Theatre,  
Perseverance Theatre, Phoenix Theatre, Ping Chong & Company, Pittsburgh Irish and Classical Theatre, Inc.,  
Playhouse on the Square, Playwrights Theatre of New Jersey, Portland Center Stage, Portland Stage Company,  
Pregones Theater, Primary Stages, Profile Theatre Project, Redmoon Theater, Repertorio Espanol,  
The Repertory Theatre of St. Louis, Round House Theatre, The Salt Lake Acting Company,  
The Seacoast Repertory Theatre, Seattle Repertory Theatre, Second Stage Theatre,  
The Shakespeare Theatre of New Jersey, Signature Theatre, South Coast Repertory,  
Steppenwolf Theatre Company, The Sungan Theatre Company, Synchronicity Performance Group,  
Taproot Theatre Company, Tennessee Repertory Theatre,  
The Theater at Monmouth: The Shakespeare Theater of Maine, TheatreWorks, Theatrical Outfit,  
Trinity Repertory Company, Victory Gardens Theater, Walden Theatre, WaterTower Theater,  
The Western Stage, Weston Playhouse Theatre Company, Will & Company,  
Williamstown Theatre Festival, The Wilma Theater, Wing-It Productions,  
Woolly Mammoth Theatre Company