Measuring Success in Performing Arts Facilities

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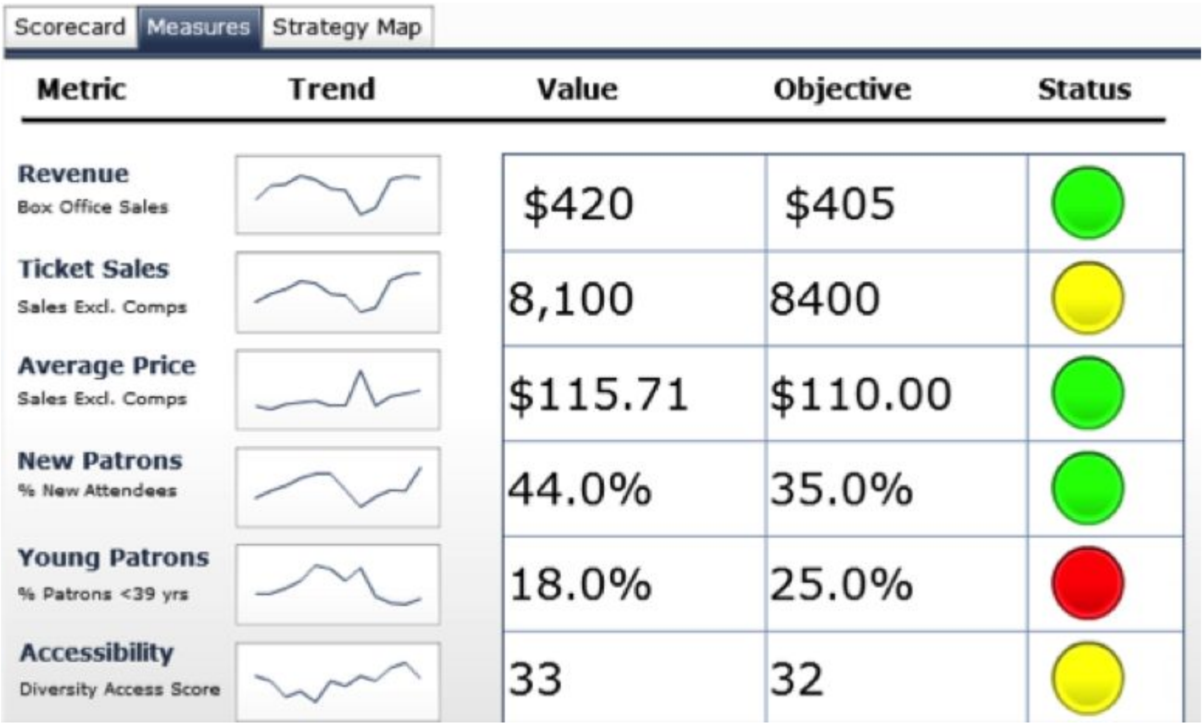
We've had several interesting projects lately concerning City-owned performing arts facilities (not in New York) operated by private nonprofits. Typically we're hired by the city in question to have a look at what's going on, which usually means there's some tension around how the facility is being operated and how much the City is investing annually to sustain operations.

When we dive into these assignments, we find all sorts of strange things going on. A member of the City Council on a personal crusade to close down the building. An executive director hiding in his or her office, hoping all their problems will just go away. Or a nonprofit board giving up on its fiduciary responsibility to govern the organization.

The easy part of the work is the data collection and analysis needed to say meaningful things about the programming, operation and financial sustainability of the facility. The hard part is figuring out what went wrong with whom, such that the relationship between owner and operator had deteriorated to such an extent that our intervention was deemed necessary. In one case, we discovered that the problem was that City staff was preoccupied by the facility's poor record of hitting budget targets. In another, the tension arose because the mayor was still receiving calls from local citizens unhappy with customer service in the building (they were struggling to control a "Friends" organization gone rogue). In a third case, the real problem was that a former mayor, now on the board of the facility, was using board meetings to bad-mouth the current mayor.

It has been fascinating to dig into these situations and try to get the players back inside. But our key insight has been that the big problem between city owners and the private operators of cultural facilities is generally around the different language and tools they use to define success. Cities — and we mean elected officials — care about things like economic development, effective management, positive media coverage and happy taxpayers. Building operators and their boards tend to be more concerned with booking great acts, ticket sales, expense controls and fundraising events. So our job often ends up being about getting the owner and operator to agree on what it is they want from the building — what is their common definition of success and how can it be measured moving forward. And inevitably this brings us back to mission. What is the purpose of the building and the value it delivers to the community? How should it operate to achieve that purpose?

In these cases, we often encourage our clients to adopt more formal tools for strategy implementation, like the Balanced Scorecard. This is a strategic planning and execution tool introduced in 1992 by Harvard Business School Professors Robert S. Kaplan and David P. Norton. It has been very successful in the private and government sectors, but has gained only limited traction in the nonprofit sector, generally because it is quite complicated as a planning tool and, more importantly, because it requires lots of time and effort on the part of many people in the organization. This has certainly been my experience in the situations where we’ve recommended use of the Balanced Scorecard to measure and monitor success in an organization. So now, rather than ask our clients to go through the whole process, we focus on two key principles.



Scorecard | Measures | Strategy Map

Metric	Trend	Value	Objective	Status
Revenue Box Office Sales		$420	$405	
Ticket Sales Sales Excl. Comps		8,100	8400	
Average Price Sales Excl. Comps		$115.71	$110.00	
New Patrons % New Attendees		44.0%	35.0%	
Young Patrons % Patrons <39 yrs		18.0%	25.0%	
Accessibility Diversity Access Score		33	32	

(Click to enlarge.)

The first key principle is that you should not simply measure your forward progress in terms of financial performance. It sounds very simple and straightforward, except when organizations get to the question of what else there is to measure and what are the appropriate units of measurement. The Balanced Scorecard starts with the financial perspective, but then adds three more: customers, internal processes, and employee learning and growth. So how are you doing with your customers — how can you measure your progress there? (Hint: surveys are good.) Are you improving the ways that you do what you do, like the time and effort of mounting a production or running an annual fundraising campaign? And how are your employees progressing in terms of their career development — the skills they add to your organization?

The second key principle is that you must find ways to measure your progress sooner as well as later. Certainly one can measure customer satisfaction with a big online survey at the end of a season, but we really need to know things sooner — and faster. We must look for leading indicators of progress to go with our more traditional lagging indicators. So a leading indicator of success for a board development plan might be the number of candidates that are identified, to go with the lagging indicator of how many are actually recruited onto the board. The progress of a new education program might be considered in terms of how many schools have signed up to come to the facility, to go with the lagging indicator of evaluation work on the program.

The point of these tools is they force owner and operator to come together on the question of what they are trying to achieve and how they measure progress. The effort is often a stretch for nonprofit managers and boards. But it's amazing how the tension dissipates when we can get all of these different players describing performance with the same language and charting success with the same tools.

Duncan M. Webb, President of Webb Management Services, Inc., has been a management consultant for the development and operation of performing arts facilities for 25 years. Mr. Webb entered the theatre profession as a lovesick maiden in Gilbert and Sullivan's *Patience* in 1969. Since then, he has completed degrees in economics and business; worked in international banking; produced commercial, industrial and experimental theatre; and has been teaching for New York University's graduate program in performing arts administration since 1990. He worked for Theatre Projects Consultants from 1989 to 1995 and founded Webb Management Services in 1997. That practice has completed over 300 feasibility studies, business plans and strategic plans for facilities, organizations and districts. Mr. Webb is also the author of *Running Theaters: Best Practices for Managers and Leaders*, published by Allworth Press in 2005. He lives in New York City with his wife and two children.