

The crying of the lambs

Leo Pot

Allow me to introduce myself: my name is Leo Pot, and I am director of two live theaters and a concert hall in Tilburg, a city in the southern part of the low countries near the sea called The Netherlands. Tilburg has about 200.000 inhabitants.

I am not under the illusion that I know things better than you do, or that I can tell you how to do your job. I am just a fellow worker who wants to share his experiences with you.

I want to tell you about change and I want to tell you about money. Not change in the way Obama uses the word (the change that comes from the outside, from the government), but the change you have to organize yourself. And that will not be an easy job, as we in The Netherlands, have found out.

There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things.

Niccolo Machivelli

The main subject I would like to share is money. As José Manuel Barosso said: *In life money comes first: it is a necessity to survive. Then comes culture: culture is what our lives make worth living.*

But it starts with the money. Our common problem as theatre directors is that money has become a scarce commodity; this is a common thread that affects all of us.

In the theatres for which I am responsible, it has become scarce for two reasons. The first is that over the past two years, the number of visitors to performances and concerts is declining at an annual rate of 7 percent in the Netherlands (and that means less income at the box office). The second reason is that we are receiving less money from the government. When I say government I mean - from now on - the local government. All theatres in the Netherlands are subsidized by the local governments.

As is the case in many other Western European countries, the governments are the most important financial sources for the arts. Right now national, regional and local governments are cutting all budgets, the arts included. In general, we're talking a 10 to 20 percent funding cut. Just like many art institutions, we are in the process of negotiations with our government. We stress to them that a large part of their subsidy is proportionately used for rent and maintenance of the buildings. Conversations go like this: "Some years ago you asked us to develop this building into a theatre. We agreed on paying a certain rent in exchange for a subsidy. You cannot cut our budget unless you agree to a lower rent for the building."

As a matter of fact, the costs of rent and maintenance are exact half our subsidy. So cutting the budget has a double impact on the activities we organize drawing from the other half of that subsidy. Therefore, 10 percent less funding means 20 percent less activities; so we tell them.

We do not want to be brought as lambs to the slaughter. We might be as vulnerable as lambs, but we are smarter. On the one hand we fight the government as hard as we can. We influence politicians where we can. We use hard figures and show the effects on employment, making them understand that less activities means less visitors, which means less parking fees for the government, etc. etc.

No financial crisis has ever been overcome by just cutting the costs
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On the other hand we cooperate. We show our good will and have taken the initiative to create a *shared service centre* for the cultural institutions in our city. We think that collective purchases, collective ICT (information and communication technology), collective bookkeeping, collective maintenance, etc. can save us a lot of money. Right now, we have meetings every week with our colleagues of the local museums and other art institutions to discuss how we can save money. We found out that every year we spend over 600.000 euros cumulatively on professional cleaners, and that we spend over a million euros annually on beer alone. We are convinced we can improve conditions if we operate together.

But we also realize that there is no stopping all those big cuts in our budgets. So we have to look for other strategies. If you take a look at the U.S., you see that the system of *mixed funding* motivates artists and institutions not to only appeal to the authorities, but also to wealthy individuals, to business firms and to paying visitors. *Mixed funding* also forces theatre directors over there into a more creative mindset. They have to start looking for different positive cash flows. It is time to start doing the same, we said to ourselves.

That is not easy. Due to dependence on the government for our funding for so many years, it is reasonable to think that we may have lost the competence to find other sources.

Rethink your organization from a cultural organization into a cultural enterprise

So we said to ourselves: let us rethink our organization. Let us transform our organization from a cultural institution into a cultural enterprise.

That is easier said than done. Why? Because it means that you have to see yourself in a different light: no longer as the director of a cultural organization, but as an entrepreneur, as the director of a business firm.

You have to start realizing that running a theatre is not a science, nor a philosophy. It can be defined as trading, it is buying and selling. Maybe you prefer to simply be director of a theatre, but to stay in business in this day and age, it might very well be essential to become an entrepreneur. You have to start thinking in terms of products, instead of works of art.

Start thinking in terms of *products*

We defined for ourselves the following products:

1. A stage.

We offer stages to the community. Stages including the supporting staff. A stage can be used for amateur performances, for schools, for celebrations, etc. The building belongs to the community, so the members of that community expect to be able to use it. But our clients are not the users; our client is the local government. This is the easiest product to sell to politicians, because all those local users are their voters...

We made a contract with the government. That contract defines how many times each year the community can use the facilities and at what cost the government is subsidizing that function of the theatre.

2. Another important product is food & beverage

In a study a few years ago, we asked students of the local university: if you want to spend time with your friends, what would be your most favorite ways to do so. They could choose between all kind of ways to spend their time: staying at home, going to the movies or the theatre, having dinner, etc. Going to the movies had the highest score, and directly after that came "going out", which means going to a café, a pub or a teahouse. (You know: a coffee shop is something quite different in Holland...)

Culture is great, but it is even better when you have a drink in your hand.

So we realized that a theatre also has an important function as a meeting point for people with cultural interests. That is not new. You also see that here in Spain: what would the *Circulo de Bellas Artes* be without *La Pecera*? In the theatres we run in Tilburg we have pubs and restaurants. It also means that Food & beverage has become an important part of our revenue: it is – after the sales from the box office our – our most important income.

More theaters have found out that a catering function has a favorable effect as well. Two years ago, the main theatre in Amsterdam – Stadsschouwburg Amsterdam - rebuilt the old entrance into a new café-restaurant. It happens to be very successful.

3. A business club

Our business club really is one of our most successful products. We organized it as an independent foundation, with a directing board made up of leading entrepreneurs in our city. We made the mayor of our city the president of the board. What we offer (and what the club offers to its members) is the concept of developing business relations in a cultural environment. We organize musical dinners in which we present new talents; we organize gala performances and we organize cultural trips abroad and in the country. The number of members is limited to 65 (there is always a waiting list) and each member pays about 6.000 euro per year. That is a turnover of almost 400.000 euro per year. The net income for the theatre is about 75.000 euro per year.

But our business club gives me something that is much more important than that. It gives me a personal network that is extremely useful in getting sponsors. It is an important tool to influence politics.

4. We did more.

We opened a shop, a design shop – until now we make a modest profit out of that – and we produced a pilot film for a television (childrens-) series about two girls without parents, secretly living in the attic of our stage. Up to this point, we have not been able to sell it...

As a cultural entrepreneur, you have to be prepared to realize that not everything you touch will turn into gold. So do not invest all your own money in a single project. As Richard Branson, the founder of Virgin- - once said: I started about 150 enterprises; only a few were very successful, but most of them just a little successful or not successful at all.

5. The arts

Of course the performing arts still are our main product. In our three different venues, we contribute over 400 performances and concerts per year. When we think in terms of clients for these activities we acknowledge two different ones: the audience and the government.

It is getting more and more difficult to attract an audience for the arts. Everybody is looking for an experience, for authenticity and although the arts are offering just that, we have to spend a lot of time and money to seduce someone to come to the theatre. That is why a theatre has to be more than a stage. It has to be a meeting point; a place where you can find (what you might call) *soulmates* in the arts.

The local government is still my most important client. The most important motive for the government to support the arts used to be that they improve the quality of our life. That has changed. Nowadays, you had better emphasize the economical benefits of it. Why? I will give you an example. In a large poll, people in the Netherlands were asked

what they would choose to relinquish first if government budgets had to be cut. Culture was on top of the list, together with military expenses: 59 percent of the population chose for that!

Amusing people is not difficult, but the arts need to make people think. People always ask for things they already know. The arts offer things that do not yet exist.

That's why it is often better to choose a strategy in which you emphasize the economical advantages of the arts. In the Netherlands for instance there are a lot of reports that prove that the presence of cultural institutions – especially theaters – is an important factor that attracts new businesses to a city.

When the government decided to cut funding for the arts, I asked the members of our business club to make a statement. This resulted in a full-page advertisement in the local newspaper in which more than 25 CEO's of large companies asked the local government not to cut cultural budgets. The bottom line of this advertisement:

People with a higher education want to live in cities with a varied cultural life. If we want employees with a better education, our companies prefer a city with a cultural climate that attracts potential employees. For our human capital the cultural climate in the city is an important factor. So do not cut on the arts budget.

It had an impact. Even this week there is a meeting between these company CEO's and local politicians on this very subject.

How do we approach the government? As I mentioned earlier, we first tell them what it costs to offer a stage to the community; the stage only, without theatre performances, but including a staff of qualified people. The overhead, you could say.

Then we give them a choice of several different cultural scenarios. Each scenario has a different – what we call – ambition level. Most of the time we offer three scenarios: a poor one, the one we want them to choose and an exuberant one. Our strategy is to make them choose the middle one.

- Of the poor scenario we want them to say to themselves: *No, our city deserves a better than this.* By the way: in cases like this it is always useful to draw a comparison with another city, especially a rival city...
- Of the exuberant scenario we know they will say: *No, no way, much too expensive.*

In between is the scenario you want them to choose; a reasonable, acceptable scenario.

The scenarios are created to appear as regular business offers. We are the supplier and the government is the client.

What we offer is a specified, quantified number of activities. Those activities can be performances and concerts, but also educational activities, lectures, etc. We also make clear what the expected – what we call – *social return* of the activities is; mostly shown in the number of audience we are striving for.

We also mention the institutions we work together with; sometimes that gives additional value to what we offer. We pay special attention to the intrinsic quality of the products. It gives the client – the government – a good feeling if you can guarantee the quality of your product by using a system of quality control, for instance by regularly investigating the customer satisfaction. Of course we also show the average costs per activity. We make clear that more activities mean that you have a larger audience, which reduces the cost per visitor, because the overhead costs will stay the same.

Finally we strive for long-term contracts that give us more security. We try to make the amounts index-proof and in the final contract phase, we make arrangements for interest free loans. We do not approach the government in any other way than another business firm would. And we found out they appreciate it!

We also expect a different attitude from the theatre companies we are working with. We are no longer taking – as we did in the past - all the (financial) risk of a performance. We prefer to see them as partners. We want them to realize that without enough people in the hall or the auditorium they also have a problem. New ways of marketing which are becoming increasingly popular has the company focusing on the production, and the theatre focusing on its corporate identity as a warm and hospitable house for the arts, and less on its performances and concerts.

I want to end with a very popular line of poetry by Lucebert, a famous Dutch painter and poet. He once wrote *Everything valuable is defenseless*. You can even find this line in very large letters on the top of a building in Rotterdam. It is frequently used to point to the vulnerability of the arts in our society.

I do no longer agree with it. We are not defenseless. We have to fight for what who we are. But, as Nolan Bushnell, the founder of Atari, once said: The critical ingredient is getting off your butt and doing something. Not next week, not tomorrow, but today. The true entrepreneur is a doer, not a dreamer.

Leo Pot, general director Theaters Tilburg, the Netherlands

Leo Pot (1946) was director of Cultural Centre *De Vest* in Alkmaar in the 1980's. He became director of the Tilburg Theatre in 1991 and in 1996 director of the Tilburg Concert Hall as well. Last year the *Midi Theater* joined the holding called *Theaters Tilburg*, which also includes an Art House Movie Theatre. He was president of the national foundation promoting theatres and concert halls and president of the national employers association for theatres and he is still a board member of several foundations in the theatre world. In 2007, his guide for creative entrepreneurs *Kunst in zaken (Arts in business)* was published by *Academic Service*.