From Bankruptcy to Sustainability: *Stakeholder Engagement and Strategic Renewal in a Performing Arts Organization*

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Overview

Many orchestras have been struggling with fiscal sustainability for as long as its members can remember. Across the North American continent, orchestras are typically undercapitalized, too often generate operating deficits and are fighting to stay solvent. In Canada, fiscal instability was exacerbated in the mid-1980s when public funding was significantly reduced. This is a new reality to which the orchestra industry has not yet been able to adjust. The conventional operating models continued, and with each new annual deficit, operating capital was further eroded. When levels of deficits and negative working capital became intolerable, orchestras typically devised temporary solutions such as private "save the orchestra" recapitalization campaigns, government bailouts, temporary wage rollbacks, or bankruptcy and restarts. Never had a creative and innovative model that would lead to true fiscal sustainability been designed and implemented.

Assuming that artistic excellence remains in place, the fundamental components of true fiscal sustainability are: an expense structure that provides some flexibility in the event of unforeseen obstacles; a commitment to building an operating reserve pool within the organization to weather some storms; a significant endowment and/or trust capital pool to help offset reductions in public funding; and, perhaps most importantly, total earned revenue levels that approach or exceed 50% of total revenue. When these components are in place, the orchestra has very likely established true fiscal sustainability.

In late 2002 the Calgary Philharmonic Orchestra (CPO), one of the premier Canadian arts organizations, was facing the threat of dissolution. However, by undertaking an intensive renewal process that involved the collaboration of musicians, staff and board members over the span of seven weeks and 8,000 hours, the CPO developed a comprehensive renewal plan that enabled the organization to overcome challenges similar to those facing many orchestras across North America.

The CPO case illustrates how an organization-wide visioning process can be used to leverage and unleash the forces of change. It demonstrates extensive use of visioning and strategizing groups, broad-participation visioning processes, innovative operational models, market-focused audience development and a commitment to trying new approaches.

The CPO and Its Environment

On 14 October 2002 the CPO made an announcement that delivered a devastating blow to its musicians, staff and board. After almost 50 years of performing, Canada's

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fifth-largest orchestra (in terms of number of musicians and operating budget) was seeking bankruptcy protection, citing insolvency, lack of leadership, declining ticket sales, breakdown in customer service and a changing environment.

The organization had had its share of upheavals in the two decades leading up to the bankruptcy protection announcement, giving clear indication that long-term trouble was not far away. One year before the announcement, the CPO went through a four-week musician lockout during contract negotiations. The troubles experienced by the CPO were familiar ones to North American orchestras. Like the Calgary Philharmonic, orchestras in the United States – including those in Colorado Springs, Colorado; San Antonio, Texas; San Jose, California; Tulsa, Oklahoma; and Savannah, Georgia – were experiencing severe operational problems and, as a result, had been forced to cease or suspend operations between the years 2001 and 2003. And other Canadian orchestras were not without their difficulties. The Toronto Symphony had experienced a strike during the 1999/2000 season and approached financial collapse in 2001. Orchestras in Winnipeg, Edmonton and Vancouver faced a number of challenges, ranging from bitter labour disputes to cost-cutting and wage rollbacks. In 2001 alone, Statistics Canada reported a collective $4.3 million loss for orchestras across the country.

If the challenges facing orchestras today are enough to cripple the Calgary Philharmonic, they are certainly sufficient to shut down any North American performing arts organization. At the point of its going into bankruptcy protection, the CPO was thought to be in an ideal marketplace. In 2002 Calgary's population was nearing one million and there was no question that a full-sized symphony orchestra would be self-sustainable. The CPO had a 50-year history and was an established cultural organization not only in Calgary but across Canada, listed by the Canada Council for the Arts as one of the country's "Big 17" performing arts organizations. Even today, the CPO stands as a benchmark for Canadian orchestras, with its 65-musician ensemble and 100-member chorus performing for more than 100,000 people annually. The CPO has reached a number of milestones, performing 16 recordings on the CBC Records label, receiving four Juno nominations and becoming the first Western Canadian orchestra to tour Europe – to rousing reviews. It has been led by world-renowned music directors and resides at the Jack Singer Concert Hall, considered one of Canada's "pure" music halls. Yet, despite all these strengths, the CPO was unable to hold off the mounting problems, which eventually forced it to close its doors. The Court of Queen's Bench of Alberta appointed a Receiver to help protect the funds still available to the organization while restructuring took place.

Organizing for Renewal

The need for bankruptcy protection occurred at the worst possible time of year for the CPO. The official 2002/03 season

ABSTRACT

The authors examine the journey of the Calgary Philharmonic Orchestra (CPO) from bankruptcy protection to sustainability. In late 2002 the CPO, one of the premier Canadian arts organizations, was facing the threat of dissolution. However, by undergoing an intensive renewal process that involved the collaboration of musicians, staff and board members over the span of seven weeks and 8,000 hours, the CPO developed a comprehensive renewal plan, enabling it to overcome challenges similar to those facing many orchestras across North America. The CPO case illustrates how an organization-wide visioning process can be used to leverage and unleash the forces of change. It demonstrates extensive use of visioning and strategizing groups, broad-participation visioning processes, innovative operational models, market-focused audience development and a commitment to trying new approaches. The CPO achieved all of this while preserving its heart and soul and its artistic excellence.

KEYWORDS

Strategic planning, organizational renewal/revitalization, corporate transformation, managing change, financial sustainability, community capacity-building

had been launched only one month before, guest artists had been booked and contracts finalized, sponsors had been confirmed, and subscribers were expecting to attend their scheduled concerts. The organization had to act quickly to address a growing number of issues, including what to do with its remaining funds, how to compensate customers for cancelled concerts, and how to determine the best path to restarting the interrupted season.

Several external firms stepped forward to help save the orchestra. A firm specializing in strategic planning, project management and change management provided overall leadership, including design of the renewal process, as well as knowledge, expertise and an objective perspective in market-focused strategic planning and change management. A firm specializing in resource development was engaged to assist with fund development approaches and strategies. A communications expert was engaged to lead a re-branding effort and manage media relations. A research firm provided market-research services. Finally, a legal firm acted as the CPO's legal counsel, advising on lapsed contracts, the Receiver's offer to suppliers and customers, and litigation arising from these activities.

Upon entering the situation, the project management firm found itself in a crisis management role. The contract of the orchestra's President and CEO was terminated simultaneously with the decision to seek bankruptcy protection. An Artistic Operations Manager had been hired on a temporary basis, and all six members of the Fund Development department resigned just prior to or following the CPO's decision to seek bankruptcy protection. With insufficient funds to cover the payroll, the CPO was forced to lay off all 65 musicians and to reduce its administrative staff to those employees who could help guide the organization through the renewal process. A skeleton staff of 10 undertook this daunting task, each employee representing a functional unit of the organization that could address issues of finance, marketing, customer service and programming. With direction and help from the external firms and resources in addressing strategic planning, fund development, legal matters, market research, governance, media relations and branding, these 10 employees, along with volunteer musicians, board members and former staff members, designed a project structure to develop the CPO's renewal plan (see Figure 1).

Seven teams composed of musicians, board members and staff were formed to collect information, compare and contrast alternatives, identify trends and opportunities, and identify and address issues. These teams were organized into specific areas: Potential New Revenue Opportunities (immediate and long-term), Customer Analysis (current and potential customers), Artistic Vision and Programming for the upcoming season, Organizational Effectiveness (including board governance and staff structure), Arts Landscape (including a view of competition and strategic partnerships), Strategic Communications, and Fund Development Strategy. An overall Strategy Integration team, comprising the chairs of each of the seven teams, undertook to synthesize the information gathered by and

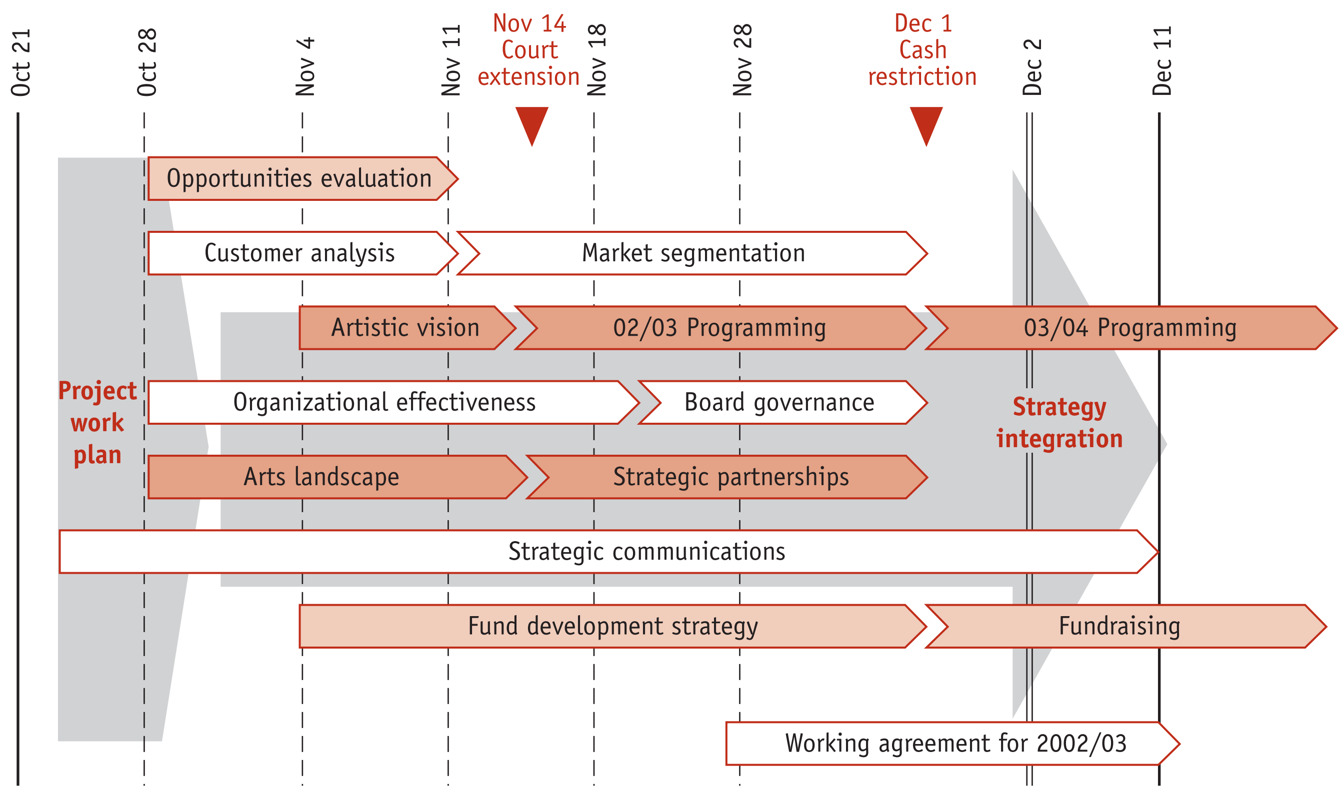
RÉSUMÉ

Les auteurs étudient le périple de l'Orchestre philharmonique de Calgary (OPC) depuis le recours à la protection de la loi sur les faillites jusqu'à la viabilité. Vers la fin de 2002, cette organisation artistique canadienne de premier plan était menacée de dissolution. Toutefois, grâce à un processus de redressement faisant appel à la collaboration de musiciens, du personnel et d'administrateurs échelonné sur sept semaines et ayant exigé 8000 heures de travail, l'OPC s'est donné un plan de redressement d'ensemble qui lui a permis de relever les défis que partagent de nombreux orchestres d'Amérique du Nord. Le cas de l'OPC illustre comment un processus de visualisation de l'avenir mené à l'échelle de l'organisme peut servir à amplifier et à libérer les forces du changement. Il montre un recours extensif à des groupes de réflexion pour renouveler la vision et définir des stratégies, une importante participation dans les processus de visualisation, des modèles d'exploitation novateurs, une politique de développement de l'auditoire axée sur le marché et une détermination à essayer de nouvelles approches. L'OPC y est parvenu tout en préservant son âme et son intégrité artistique.

MOTS CLÉS

Planification stratégique, renouveau/revitalisation de l'organisme, transformation de l'entreprise, gestion du changement, viabilité financière, renforcement des capacités communautaires

FIGURE 1 CPO RENEWAL PLAN PROJECT STRUCTURE



the recommendations of the seven teams into a comprehensive renewal plan.

Each of the seven teams was facilitated by an external strategic planner whose responsibility was to

– design and manage the overall process

– provide guidance, tools and support to the individuals tasked with assignments

– facilitate the planning sessions and guide the discussions to ensure systematic development of the components of a plan and framework for working together

– ensure that clear action resulted from each session

– record working sessions and distribute the documentation electronically to participants

RESUMEN

En este trabajo, los autores analizan la trayectoria de la Orquesta Filarmónica de Calgary (Calgary Philharmonic Orchestra, CPO), que es hoy una empresa cultural sostenible después de haber estado al borde de la quiebra. A finales de 2002, la CPO –una de las principales organizaciones canadienses en el ámbito de las artes— enfrentaba la amenaza de la disolución. Pero gracias a un intenso proceso de renovación que se llevó a cabo a lo largo de siete semanas y 8.000 horas, y que contó con la colaboración de los músicos, el personal y los miembros de la junta directiva, la orquesta lanzó un plan de renovación integral que le permitió superar dificultades parecidas a los retos a los cuales se enfrentan numerosas orquestas de América del Norte. El caso de la CPO nos enseña que un proceso de creación de visión capaz de mobilizar a toda la organización puede multiplicar y liberar las fuerzas del cambio. Se recurrió ampliamente al uso de grupos de visualización y de formulación de estrategias, a procesos de creación de visión con amplia participación y a modelos operacionales innovadores; al mismo tiempo, se trabajó en los factores de mercado para la captación de audiencia y se manifestó en todo momento una clara voluntad de probar nuevos enfoques. La Orquesta Filarmónica de Calgary logró este éxito sin perder su alma y su esencia y sin comprometer su excelencia artística.

PALABRAS CLAVE

Planificación estratégica, renovación/revitalización organizacional, transformación empresarial, gestión del cambio, viabilidad financiera, fortalecimiento de las capacidades de la comunidad.

– act as timekeeper, bringing the team back on track, as required

– challenge assumptions and provide objectivity

– establish meeting ground rules, making it "safe" for everyone to participate

– assist with refining ideas and developing preliminary models offline, as required

Due to the structure and scope of the project, not all teams were initiated at the same time. Teams were introduced in a staged approach that enabled the logical development and hand-off of concepts to other teams. This sequencing helped to keep teams tightly focused and afforded the flexibility to access different people for different tasks. Because most of the team members were volunteers, burnout was a real possibility and was closely monitored.

Building a Shared Understanding

The first few days of the renewal process revealed the extent of the CPO's predicament. It became clear that there were several root causes for the orchestra's insolvency and that these had to be addressed. These root causes included

– declining subscriber seat sales

– staff turnover and leadership issues

– an ad hoc, unfocused and reactive approach to the market

– intense competition for public and private funding

– isolation from the community and its evolving needs

– continuing mistrust between musicians, staff and board

– the departure of musicians for more secure employment

– overall breakdown in customer service

Many of these root causes had been unknown to the various groups within the organization. Fragmentation within the CPO had created three distinct groups. The musicians, staff and board had erected walls of mistrust around them. Communication had broken down over the years as obstacles and hardships had gotten in the organization's way. Yet the situation at hand had forced the three groups to work together to find solutions. The first step in rebuilding relationships within the CPO, therefore, was for representatives from all groups to come together in teams to build a shared understanding of the problems at hand.

Together, the teams undertook a comprehensive analysis of the CPO's operating environment. They examined trends and developments in key areas, including demographics and society, music appreciation and education, funding and philanthropy, the performing arts sector and technology, all within the Calgary context. Additionally, they analysed the current and evolving needs of current and potential customers, and objectively evaluated the strengths, weaknesses, opportunities and threats (SWOT) of the organization, in order to determine what fundamental issues had to be addressed so that the CPO could get back on its feet and on the road to sustainability.

A wide variety of sources were referenced and analysed as part of the information-gathering effort, in addition to an estimated 8,000 person hours logged by musicians, staff, board and strategic planning facilitators, with team meetings often running from 7 a.m. to midnight seven days a week over seven weeks. This extensive stakeholder engagement included:

– accessing research studies, accessing market research studies conducted within the preceding two years and benchmarking at least 45 orchestras of various sizes worldwide

– accessing reports conducted within the preceding two years by the Canada Council for the Arts

– conducting interviews/holding discussions with other stakeholders in the Calgary area (Mount Royal College, University of Calgary, Alberta Ballet, Calgary Opera, Theatre Calgary, other venues, current and potential corporate sponsors, past donors, interested supporters)

– soliciting community input through 1,000 telephone interviews and surveys of more than 1,250 patrons at a benefit concert

– evaluating information on ticket sales

– analysing financial information, including operating statements and audited financial statements

– analysing fundraising data such as internal data and reports and an audit report prepared by an external consultant

– sharing the collective knowledge and experience of musicians, staff, board and external facilitators

It was obvious that although there were indeed some critical weaknesses within the organization, as well as certain external threats, there were also several strengths and opportunities that would allow for the CPO's renewal and growth. How the CPO would capitalize on these strengths and opportunities was to be determined by the teams' analysis of strategic issues.

Drivers for Prioritized Action

Following an evaluation of the environment and SWOT analysis, it was decided by full consensus that the following four strategic issues demanded decisive leadership and action if the organization was to become sustainable:

– clarity and agreement on the CPO's strategic focus and market position

– redesign of the organization's financial structure

– organizational alignment and agreement on the underlying issues and how they would be addressed

– timelier and more relevant communication

Each of these issues was in desperate need of attention before the renewal process could begin. The outdated top-down, hierarchical approach to addressing such issues had to be replaced with participatory consensus decision-making, and the musicians had to be included in the full disclosure of all information (including financial). The teams were directed to develop and articulate a renewed vision and its implementation over a five-year period. By breaking down each of the strategic issues into its components, the CPO was able to define subsequent priorities and the steps necessary to effect focused change.

Strategic Focus and Clear Market Position

"Strategic focus" meant that the CPO had to reassert its leadership position in classical music within the community; prove its relevance to the broader community; remain open to innovation, particularly as related to performance and production; improve its collective understanding of the current and evolving needs of targeted customers; and clarify its artistic vision while ensuring a balance between serving artistic vision and meeting customer needs.

Over the years the CPO had become narrowly focused on the "traditional classical music lover" segment of the market, a segment that had declined to about 2% of the total available market in Calgary. The CPO saw that, in order to achieve sustainability, it would need to broaden its market reach to encompass an (identified) additional 13% of the population who also enjoyed classical music but in non-traditional ways. The organization's market focus was redefined and implemented through re-branding; a different approach to packaging and selling tickets; targeting new audiences and communities; surveying current and evolving customer needs on an ongoing basis; and piloting several new programming initiatives such as Mozart on the Mountain and outreach programs such as Asian Heritage Month, in order to re-establish a link between the organization and specific communities.

Financial Structure and Sustainability

The CPO had not been financially stable. The organization had been in financial trouble several times over the preceding two decades, likely since the change in public funding policies in Canada. Despite its obvious difficulties, however, the CPO had been unable to alter its operating model, cost structure or market penetration in order to offset the reduction in public funding. As a result, it hit bottom several times and underwent several "re-capitalizations" – the injecting of more than $5 million in extraordinary capital into the organization over the years in order to ensure its survival. The CPO is not alone in this predicament. Its peers in the industry reveal similar histories and characteristics; most are dangerously under-capitalized. The CPO operated in a cycle of capital injection, capital erosion through operations, re-capitalization and re-erosion through operations. The root causes of the problem had never been adequately addressed.

This time it was different. The CPO addressed its working capital deficit by raising $1.5 million in restart capital, more than half of which came from generous individuals. The overall fixed costs of the organization were reduced by 20%, and the relative percentage of fixed to variable costs was also significantly reduced. These reductions were achieved primarily by offering fewer traditional concerts and introducing a variable revenue stream and variable compensation structure for all musicians and staff, while maintaining the size of the orchestra at 65 musicians. In addition, a three-year collective agreement with the musicians was negotiated and signed, which helped to restore labour stability. Furthermore, the chart of accounts was revised to reflect the new strategic direction, and financial systems, policies, practices and structures were strengthened. A higher level of financial expertise was brought into the organization by splitting the Executive Director position into two and hiring two individuals: a President and CEO (a seasoned leader with a business focus) and an Artistic Director (a seasoned leader with an artistic focus). Finally, a new Chief Financial Officer was hired.

On the fund development side, following the resignation of all Fund Development staff early in the process, the organization's method of ad hoc and reactive fundraising was redesigned with a focus on joint fundraising and community capacity-building. The innovative financial operating structure and the improved administrative and financial control infrastructure were the main selling features of the new fiscal model. The business community and public funding agencies embraced the components of the new model. These were changes that made business sense. Artistic integrity was maintained, while incentives and rewards for success and capital reserves for unexpected operating obstacles were introduced.

Organizational Alignment

Most significant was the work undertaken to develop and model a collaborative organizational culture, whereby musicians were incorporated into the CPO's marketing, fundraising, community outreach and programming initiatives. No longer were the musicians relegated to "the back room" or to the "performance stage." Interestingly, this collaborative "business" approach was found to be in direct conflict with orchestras' traditional methods of operation. Usually, the command and leadership structure is hierarchical and top-down. Orchestral musicians are trained to take direction from their conductor and section principals without question. In spite of their high levels of education and creativity, musicians are untrained in business and finance, and the CPO's musicians had been given only token roles, if any, in the Operational and Fund Development departments, even though they were represented on the board by five full voting members.

Over the years, as the organization underwent repeated financial crises, staff were laid off or voluntarily departed for more stable employment. The calibre of the staff began to decline as salaries were cut in order to make ends meet. High turnover and temporary staffing resulted in poor customer service, decreased fundraising success and erosion of administrative infrastructure. Few if any records were kept on commitments made on behalf of the organization. Pride in the CPO suffered as files were ill maintained, office decorum deteriorated and crisis management became entrenched. Staff were ill prepared and ill qualified to meet the orchestra's financial and customer service demands. A strategy for identifying and hiring a new and more qualified administrative team was adopted.

In order to improve organizational alignment, the CPO's bylaws were rewritten (a move that was long overdue) and the board was reduced in size from roughly 33 directors to approximately 18. In addition, all board committees except two, Finance and Audit and Governance, were eliminated, including the Executive Committee. Several prominent community leaders were recruited to the board. The strategies of the new structural and bylaw changes were focused on having the entire board more directly engaged in strategic decisions and on increasing the board's involvement in and support of the organization's fund development activities. Operationally, workflow was examined and administrative processes and procedures were streamlined in order to enhance decision-making and support the objectives of the renewal plan.

Communication

The CPO was an extremely poor communicator, in terms of style, frequency and content of messaging. Communication tended to be top-down, reactionary and narrowly messaged. Dedicated supporters were concerned that the CPO did not adequately communicate its results. In fact, patrons were shocked and angered when the orchestra sought bankruptcy protection; some thought that steps could have been taken earlier had financial and other information been published and made available. Several hundred frustrated customers appeared at the CPO's doors or telephoned requesting refunds. They were aggravated to find limited customer service and no immediate answers. This situation only served to further alienate long-term customers still upset about the previous year's lockout, which had affected the orchestra's ability to deliver concerts that year.

During the period of bankruptcy protection and for the remainder of the 2002/03 season, the CPO developed and implemented a media strategy of sequencing and evolving communication between stakeholders and keeping the public informed about its progress. This resulted in progressively more positive messaging, increasingly fuller houses and overall financial progress. Spokespersons for the organization were limited to the Chair and a select number of musicians, since all other leadership roles were expected to change as the transition management team became replaced by a permanent administrative team. The CPO was re-branded under the guidance of external experts. Musicians, staff and board held regular "town hall" sessions during which issues were raised and addressed, progress updates were reviewed and modified based on feedback, and new models were tested and adjusted before being implemented. Such efforts at honest, open, consistent communication resulted in the eventual restoration of trust between musicians, board and staff.

By addressing each of the four strategic issues, the CPO was able to make headway.

Vision Redefined

Before seeking bankruptcy protection, the CPO had an implicit strategy of functioning as a "traditional symphony orchestra," an approach that had become outdated and distant from the community. The organization was cost- and crisis-driven, internally focused and often reactive, with organizational components operating in isolation. It lacked community presence, and as a result most fundraising was short-term and based on existing relationships that quickly evaporated when the entire Fund Development staff resigned. With the high turnover of staff, few regular donors remained committed to the CPO. Additionally, outreach and education strategies were ad hoc and focused on a single venue. Finally, according to 1,250 patrons surveyed at a benefit concert, the performances were artistically world-class but lacked engagement with the audience. There was an apparent gap between the audience and the musicians, with many perceiving the orchestra as a non-personified entity rather than individual performers whom the community could identify and connect with or care about. Customers reported that performances were staid and indicated that audience interaction would be a welcome innovation. Even the conventional "multiple performances" of series-based concert programming had begun to lack excitement and to lose appeal for audiences.

As a new vision was developed, all those involved were determined to ensure that the CPO retained its artistic relevance and high quality. Simply stated, the new vision was focused on ensuring that each performance was a transforming experience that met the evolving needs of the audience, was more community-focused and audience-connected, and had broader geographical reach, extending to more of southern Alberta. Furthermore, the vision recognized the need to engage musicians in the "business" and to offer remuneration sufficient to attract and retain the high quality of musicians and staff necessary for the orchestra to excel.

The CPO's renewed vision was based on two key elements: *community* and *innovative programming and presentation*. It was aimed at maintaining artistic excellence while ensuring attractive and innovative programming for an evolving community, and was supported and implemented through education, outreach and targeted partnerships.

In order to realize its vision, the CPO had to adopt a clear and sustainable business model.

Sustainable Business Model

The Sustainable Business Model is characterized by "core" and "new" business components (see Table 1).

The "core" business was redesigned to *preserve* the existing customer base (that is, the "traditional classical music lover"), by continuing to offer traditional concert series, primarily to season subscribers, in the traditional concert venue (approximately 1,718 seats). Funding was expected to remain conservative and to come primarily from public sources. The majority of the organization's fixed costs, including 80% of musician and staff salaries for the full complement of 65 musicians and about 20 staff, was attributed to these "core" activities and held constant for three years. Promotion was targeted towards series-based subscriptions, with a very conservative view of 50% of seats sold in 2002/03, growing to 61% by 2003/04. The number of series concerts was cut back from 65 to 47, in an attempt to immediately reduce fixed costs and decrease product in the marketplace. The season was extended from 38 weeks to 41, growing by one week per year, in part to reassure musicians of increasing financial stability in lieu of their 20% salary reduction. Despite all of these adjustments, however, it was realized early on that, in order to achieve long-term financial sustainability and greater integration with the community, "core" business would have to be further supplemented.

The "new" business was designed to increase the CPO's overall market reach and community relevance by enticing two new audience segments: those attracted by the flexibility of single-ticket sales, and those seeking to enjoy classical music in non-traditional environments in a variety of venues within and outside of the city. The focus went beyond the doors of the traditional concert hall and into the community, to better reflect various community voices, values, heritage and sense of place. New and unusual settings facilitated the introduction of new works. In the first year nine events were planned, with the number of events in future years to be dictated by market

TABLE 1 SUSTAINABLE BUSINESS MODEL

Core business	New business
Achieving community integration, requiring serious organizational readjustments	Assimilating the community's voice, values, heritage and sense of place; creating an environment in which new works can be added
• 47 concerts (down from 65)	• 9 concerts, growing as market dictates and finances permit
• 50% seats sold in 2002/03, growing to 61% in 2003/04	• 65% seats sold in 2002/03, growing to 80% in subsequent years
• traditional venues	• different venues
• traditional market	• new market segments
• fund development consistent and conservative	• targeting non-traditional sponsors
• fixed compensation for 3 years	• 20% variable compensation
• restore full complement of 65 musicians	• split orchestra
• 38 weeks in 2002/04, growing to 41 weeks by 2006/07	• summer season
• series-based ticket sales	• single-ticket focused

demand and financial considerations. Because of the greater flexibility in cancelling events that were not selling, the model was built on the more aggressive assumption of 65% of seats sold in 2002/03 and 80% in subsequent years. "New" business focused on joint community programming initiatives, whereby revenues and expenses could be split between the CPO and a community group. This was designed to offer community members opportunities to connect with the orchestra in innovative ways. Two such initiatives were a concert celebrating Asian Heritage Month (revenues shared with the Asian Heritage Society) and Beethoven in the Badlands (revenues shared with the Rotary Club of Drumheller). This approach enabled the CPO to target non-traditional sponsors, thereby expanding its fund development base. The musicians agreed to introduce "split orchestra" combinations in order to increase both performance flexibility and financial returns.

Most importantly, the success of these activities allowed the musicians and staff to derive unlimited variable remuneration, which would more than make up for the 20% decrease in their base salary from the traditional core business component.

The funding framework and culture on which the CPO had traditionally relied was turned on its head. The organization's traditional approach of depending on government grants and donations to ensure sustainability was abandoned in favour of a market-focused approach. In reality, the fundraising environment had already changed as a result of the overall decline in government support and the emergence of many new charitable and not-for-profit organizations. In 2002 Calgary had more than 2,000 registered charities, covering everything from homeless shelters to cancer research to the ballet, all competing for the same corporate and public grants. It was determined that the CPO's efforts in competing for these declining (sometimes one-time) grants would be better spent competing for customers. Capitalizing on the CPO's ability to position itself as a viable and exciting source of entertainment for a variety of distinct market segments (delivered through either the "core" or the "new" business focus) was identified as a more sustainable funding strategy than relying on uncertain grants and donations. The organization committed to reinvesting annually in its back-office infrastructure (for example, business systems and processes, professional development). It also committed to allocating the first $250,000 in operating surplus to its operating reserve, in order to prepare for and better weather fluctuating market conditions. The CPO made it a policy not to "borrow" cash from deferred revenue (generated from an ensuing year's subscription ticket sales) to meet current fiscal needs.

Managing the Transition

Defining and agreeing on a new business model was only the first step in the organization's transformation. Seven months into the renewal process the organization was still faced with the challenge of implementing the changes outlined in the renewal plan. However, the immediate rebuilding priorities were clear. The CPO needed to

– plan and launch its next season, now five months behind schedule, while delivering the remainder of the interrupted season

– individually negotiate settlements (concert vouchers or a charitable donation receipt for an amount equal to the value of the foregone performances) with close to 9,000 patrons who had lost approximately half of the season

– organize special programming for several hundred schoolchildren who had paid for but missed (due to cancellation) a number of concerts during the restructuring period

– shift the marketing strategy to single-ticket sales and new market segments

– reorganize the corporate structure to separate the endowment from the operating society so that, in the future, funds could not be drawn from the endowment

– clean out the CPO's administrative offices (10 half-ton truckloads of garbage were removed from the premises) and archive close to 300 boxes of old files to make room for current files and a more efficient work space

– conduct ongoing customer surveys to ensure that the changes being made were consistent with market needs

With the introduction of the renewal plan, the various CPO departments had to adapt it to their own operations. Therefore several short-term operational plans were developed. With the guidance and assistance of external communications experts, a Marketing and Communications Plan was published in March 2003. External experts in fund development assisted with the publication of a Fund Development Plan in June 2003. The CPO's Customer Service department produced two plans: a Volunteer Management Plan and a tactical, day-to-day Implementation Plan, developed with assistance from the Finance and Marketing departments, to outline the subscription renewal campaign and provide continuing customer service.

The entire rebuilding process for the CPO was expected to take from three to five years.

Challenges and Barriers

These achievements were not made without challenges and barriers. The year had proven to be an emotional rollercoaster for the musicians. In the fall of 2002, when bankruptcy protection was sought, the musicians initially reacted with anger, mistrust and frustration directed at the board and administration. In the preceding two years, recurring financial problems and cutbacks had caused the musicians to question the running of the organization by individuals with whom they had little contact. Despite harsh feelings, however, there was a desire and willingness on the part of the musicians to participate in the renewal process and to find lasting solutions.

The slow restart of fundraising as a result of the resignation of the Fund Development staff proved to be a large obstacle for the organization. With soliciting resources limited to a handful of board members focused on securing government grants, unsolicited donations still trickled in from individuals. This indicated pockets of community support as the CPO's situation slowly became clear. In addition, money was raised through several community benefit concerts to help keep the musicians together. Despite the interrupted season, performances with the Alberta Ballet and the Calgary Opera ensured the orchestra's musical cohesiveness while providing much-needed income for the musicians. The federal government also stepped in, providing consultancy support from the Canada Council for the Arts.

By February 2003, as the CPO prepared to resume operations, there was a noticeable change in attitudes and relationships within the organization. The process of developing the renewal plan and achieving a collective vision had demanded intensive collaboration and honesty between musicians, administration and board. A clear understanding of the motivations of each of these stakeholders and their contributions to the overall success of the organization had developed. Yet the expected restart time had been exceeded, adding considerably to stress levels within the organization. The period of bankruptcy protection was expected to last only two to three months; due to the delay in securing the required working capital, however, the CPO was forced to extend it by several months. This, on top of major concessions that seemed to be continuously required of the musicians, heightened the frustration. When the orchestra was able to announce its return to operations on 15 February 2003, five months after seeking bankruptcy protection, there was a wave of relief amongst the anxious musicians; they were more than ready to get back to work and resume the season.

Concerns about the state of the CPO persisted at the end of the season, in May. By that time, many of the employees and volunteers who had seen the organization through the renewal process were feeling burnout and in need of a change. Some left the organization, while others stayed through the implementation of the new business plan. Under the leadership of an Interim Executive Director, the period from February to June was used to strategically transition the staff into a stronger and more experienced administrative team. A priority at that time was the search for a "permanent" President and CEO, to replace the Interim Executive Director. In addition, two new positions, Artistic Director and Fund Development Director, were created and filled, with the new directors assuming responsibilities previously handled by the Executive Director. Finally, a more experienced Chief Financial Officer joined the administrative team. It was agreed that the hiring of a "permanent" Marketing and Customer Service Director could wait until the new President and CEO had been installed so that recruitment could be based on a set of skills and styles that would complement those of the key leaders.

Restarting the season after such a long period proved to be a challenge. The CPO was faced with not only a lag in ticket sales due to customer uncertainty, but also a critical loss in "organizational memory" as staff and volunteers left the organization. This "memory" loss required extra effort and trust on the part of the transitional team as they sought to resolve the matter of outstanding or misplaced contracts and service agreements and to address routine and non-routine issues as they arose. Consequently, expenses were higher than anticipated. Furthermore, there was no guarantee that the organization would be able to achieve the surplus as well as the 20% variable performance pay, as specified in the renewal plan, in the foreseeable future.

The general response of the musicians, however, was one of relief; they were eager to get back to performing. The public was positive, as reported in the local press and as evidenced in the results of mini-surveys and in comments to door-greeters. The ensemble continued to perform at a high level of quality despite the five-month hiatus, and the musicians were in good spirits, for the most part, with renewed energy after being involved in the entire renewal process, as reported by musician representatives to the board.

The Key Role of Musicians

It was realized early on that the core of any sustainable solution would be the musicians. The success of the renewal effort was greatly strengthened by the musicians' involvement and their dedication to bringing the CPO back to life and to a new level of performance. Throughout the entire renewal process, the musicians *volunteered* to join the various committees and teams in order to research and resolve issues. The transition leadership team prepared the musicians to form the "visible frontline" in bringing the CPO to the public, raising awareness about the situation and the progress being made. Knowing that its role was short-term, the transition team took a backseat to the musicians, ensuring that media coverage was increasingly positive by presenting the musicians as the CPO's spokespersons. Musicians helped the transition team with fundraising through letter-writing campaigns, media appearances and interviews, and even phone calls. They took full responsibility for ensuring that all remaining performances for the current season, as well as those for the upcoming season, reflected the wishes of customers identified through multiple surveys conducted during the renewal process. Musicians helped to clean the offices, answer phones, handle subscription-renewal calls, perform clerical tasks and move furniture. Once the season resumed, the musicians shook the hands of customers as they entered the concert hall. Particularly impressive to patrons was the musicians' joining them for interactive sessions following each performance – a departure from normal practice. Together, these initiatives served to reinforce the bond between individual musicians and their audience.

Conclusion

The CPO's ability to emerge from bankruptcy protection, successfully resume an interrupted season and realize a position of sustainability is attributable to the organization's firm commitment to working together to find solutions. Through intensive collaborative efforts by the board, administration, volunteers and especially the musicians, the organization was able to fundamentally and objectively examine complex issues and, in the end, agree on how to resolve them. The orchestra's surviving five months of bankruptcy protection, resuming a season midway through the year and operating under the leadership of a transitional management team are indicative of the perseverance required of struggling arts organizations across North America. The CPO's case provides a benchmark and model for other organizations as they strive to overcome strategic and operational obstacles.

The renewal process described here should not be considered a unique solution to the challenge of sustaining an arts organization. All arts organizations must be vigilant with respect to market trends and dynamic customer needs. By identifying and responding appropriately to any shifts, an arts organization may be able to ensure its longevity and relevance within its particular community. The Calgary Philharmonic Orchestra has demonstrated that by maximizing the understanding and value of each participant, taking calculated risks and making innovative changes that reflect shifting market demands, an organization can achieve new levels of community relevance and financial sustainability, all the while preserving its heart and soul and its artistic integrity.

Postscript

Three years after the CPO's restructuring, several leading indicators are suggesting that significant progress has been made towards sustainability.

The renewal plan received national acknowledgement when the six firms that had collaborated to provide essential skills and leadership during the CPO's transition were awarded the 2003 National Post Award for Business in the Arts for Innovative Arts/Business Partnerships. This marked the first time this prestigious award had been presented to a consortium.

At the end of the 2004/05 season the CPO gained renewed confidence from the community. The Calgary Philharmonic Orchestra Foundation received the largest single donation in its 50-year history, $6.3 million, an amount that brought the endowment close to $13 million after being depleted to about $900,000 just prior to the crisis. Part of this donation, along with any other amounts received by the CPO Foundation during 2005, may qualify for a matching grant under the guidelines of the federal Canadian Arts and Heritage Sustainability Program. A second gift of $1 million from a patron went directly into the CPO's operating budget for the 2005/06 season.

Despite a loss of $300,000 in Opera and Ballet contract revenue due to the temporary closure of their venue for renovation, the CPO still managed to post a modest surplus of $35,000 on revenues of $7.3 million in August 2005. This was the orchestra's third surplus since its emergence from bankruptcy protection in February 2003. True to plan, the CPO did not "borrow" cash from deferred revenues generated from subscription sales for the previous three years. Most significantly, box-office revenues were up from about one third in 2001/02 to 40% in 2004/05. During the same period, government grants were down from about one third of revenue to 23%, with increases in fundraising, sponsorships and special events totalling 37%. These financial indicators suggest that the organization's refocus on the needs of customers and the community has been successful.

Mozart in the Mountains launches each new season in its spectacular Canmore, Alberta, mountain setting, drawing crowds of approximately 7,000, while Beethoven in the Badlands, a joint community initiative in which revenues are shared by the CPO and the Rotary Club of Drumheller, continues to sell out each year as the season finale. In 2005/06, for the first time in years, the CPO enjoyed eight sold-out performances.

With the continued artistic excellence of the orchestra and the increasing sustainability of its operations, in August 2005 the CPO attracted the world-renowned conductor Roberto Minczuk as its Music Director. More recently, at a time when the endowment reached a new high of $15.5 million plus a trust capital pool of $5 million, the CPO announced the four-year appointment of Ann Lewis as President and CEO.