

Collaborative Governance at the Louisiana Philharmonic Orchestra

TEACHER NOTES

Learning Objectives

- Examine the collaborative governance model for orchestras.
- Evaluate changes in administrative structure and strategic direction.
- Weigh artistic decisions against organizational sustainability and health.
- Provide a recommendation for hiring that balances musician and board input.

Topics For Discussion

Nonprofit Corporation Structure vs. Cooperative Corporation Structure

The Louisiana Philharmonic Orchestra pioneered a groundbreaking model of management, by allowing its musicians to govern and administer the organization. The musician-run orchestra means members do much more than play their instruments; they are responsible for all business decisions that affect the success or failure of the organization. How are members' responsibilities different than the traditional structure of a nonprofit orchestra? What is the major way that the players hold influence over the organization?

- Despite the LPO's collaborative governance model, where administrative staff and community trustees help steer the organization, the musicians retain ultimate control through voting rights as the orchestra's corporate membership. They further voice opinions on both artistic and business matters within the committee structure. For an overview of the LPO's structure, refer to **Appendix 1**. Invite students to discuss the benefits and drawbacks of an orchestra that is under the control of its musicians. Is it problematic that musicians are unlikely to have experience with business decisions and financial complexities? Or does their knowledge of the needs of the performers offer sufficient expertise for organizational dynamics?
- In nonprofit organizations, profits go back into the organization, as opposed to a for-profit organization where profits are redistributed to shareholders. Consider how the LPO functions as a nonprofit corporation and the ways it borrows from the for-profit concept. What service does it offer the New Orleans community that qualifies it for nonprofit status? In what ways does the orchestra resemble a for-profit entity?

Expanding Administrative Structures

- The addition of staff and community trustees has shifted the original model upon which the LPO was founded. On one hand, it relieves musicians from some of the labor behind administrative work so they can focus on music making. But does the addition of outside voices take away any real or perceived control from the musicians as compared to the founding cooperative model? In what ways does the infusion of administrative staff and community members benefit or hinder musicians in this model?
- The spirit of the musicians was central to the LPO's identity from its founding and remains a source of pride among the veteran players today. As the LPO grows, how do musicians retain the sense of ownership that was once fundamental to the enterprise? How much more can musicians relinquish governance of the LPO to focus on their art?
- CEO James Boyd is looking for ways to grow and professionalize the organization while maintaining the orchestra's core identity. Again with reference to **Appendix 1**, ask students to make recommendations to Boyd about the structure of the organization: should he bring in additional staff members? Consider the dynamics of the committee structure, where musicians have tended over time to take a back seat in conversations since staff members were added. Have musicians been successful in directing decisions in the Artistic Programming Committee and in the Finance Committee? How could this affect the decisions Boyd makes to the administrative structure? And how might the identity of the orchestra change as new musicians are hired, who may be less invested in preserving the orchestra's original identity?

Personnel Decisions and Hiring

- At about \$25,000 per year, base LPO musician salaries are among the lowest annual salaries for full-time orchestral musicians in the United States. Salaries function as "shares" in the LPO, meaning that revenue allocated for musicians are split among the 67 full-time positions the orchestra currently accommodates (with some variation based on position). Base salary trends for the LPO since 2003 can be examined in **Appendix 2**. Yet, the orchestra is missing a number of string positions and fills some necessary positions through per-service contracts. On the recommendation from committees, musicians and staff argue to hire an ideal 73 full-time positions to fill out the orchestra. Assuming similar annual income to the LPO, this would divide shares up even further, resulting in even lower salaries overall for musicians. Ask students to propose the number of musicians they think would satisfy the artistic demands of a full orchestra and mitigate the financial strain on LPO musicians. Is maintaining musician shares more important than back-of-the-section strings? Consider the points of view presented in the case. Might low shares affect the number and quality of candidates the LPO might receive if they open more positions?
- ♦ **Appendix 3** compares LPO's base salaries with the CPI-U, the Consumer Price Index for All Urban Consumers, a measure for both the economic health of urban markets and cost of living adjustments for the LPO. The LPO has stayed slightly ahead of the average for years but the gap is closing. How might this information affect hiring decisions and impact shares over time?

- Review **Appendix 2**, which demonstrates that base compensation has not recovered since the orchestra voted to take a 10% cut in 2008 to improve the financial health of the LPO during the economic recession. However, staff salaries saw increases in 2012, even if in part due to consolidation. Ask the class to appraise the importance of hiring and retaining musicians vis-à-vis staff positions. What is at stake with each group?
 - ♦ Staff salaries are now tied to shares, as well. Debate the benefits and disadvantages of such an arrangement.
 - ♦ Community trustee and Treasurer Tim Kelly believes that New Orleans does not have the extensive business community of larger cities to support a large orchestra financially. Should the LPO rethink its hiring structure to account for salary stagnation and hiring freezes?
 - ♦ Would the orchestra benefit from overhauling its personnel structure, offering more per-service agreements, as is often the case with orchestras serving smaller cities? Would New Orleans' relative isolation from other cities make reaching musicians for per-service arrangements difficult?
- The case study builds to a scenario involving the hiring of a concertmaster. It asks readers what cellist, board member, and Finance Committee member Rachel Hsieh should prioritize: the artistic result of hiring a full-time concertmaster, the salaries of her and her colleagues, or the financial future of the organization. Divide students up to debate this issue and take one of the positions. Keep in mind Hsieh's vantage point as someone who holds both artistic and fiduciary responsibilities. Ask students to consider creative solutions that might allow her to satisfy all three.
 - ♦ The orchestra originally set the concertmaster salary at \$34,000, reflecting higher compensation for such an important role. Yet even such an increase didn't attract qualified candidates. Compare solutions the class offers for this dilemma. Gauge the artistic benefits of a full-time concertmaster against the financial burden it might place on musicians and the organization.
- Musicians are not offered additional salary shares or stipends when they take on governance within committees. Have students scrutinize a model that asks for free labor from musicians. For instance, the principal violist is considering sitting on the Personnel Committee to assist with hiring the concertmaster. She, however, also teaches privately at Loyola University and operates an Etsy shop to supplement her LPO salary share. Is there enough incentive for her to volunteer time to sit on a committee, given her time constraints?
 - ♦ Is it possible that volunteer committee work by musicians could lead to increased revenue for the organization, which could then increase musician salary shares? How much can musicians control their compensation from this perspective?