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Collaborative Governance at the Louisiana Philharmonic Orchestra



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New Orleans has a rich musical history and endless entertainment options as a tourist destination. Due to mounting financial pressures, the city saw its only full-time orchestra shut down in the early 1990s. But a group of musicians were determined to maintain its cultural variety and rebuild an orchestra—the Louisiana Philharmonic Orchestra—with a groundbreaking management model governed and administered by the musicians themselves. Although the model was intended to offer musicians tighter control over vital artistic and financial decisions, new complications arose from the labor-intensive structure. The following case study details the history and development of the LPO's musician-governed model and reveals its expansion from a fully musician-run orchestra to one that now includes administrative staff and community members on the board of trustees. This case explores how stakeholders weigh decisions that involve balancing artistic and personnel decisions with budget sustainability and organization health. The concluding scenario invites the reader to consider if and how the orchestra can afford to attract an experienced concertmaster.



This case study was prepared by Anna Reguero. *The Eastman Case Studies* are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements or sources of primary data nor are they to serve as illustrations of effective or ineffective leadership or decision making.

Rebuilding an Orchestra for New Orleans

New Orleans is a smorgasbord of music and entertainment. Rock and blues grooves accompany the hedonism of Bourbon Street in the city's French Quarter while traditional brass bands march down Frenchman Street. National pop acts draw stadium-sized crowds at the Smoothie King Center in New Orleans' Central Business District. In between is the Orpheum Theater, the one-time vaudeville theatre, which the Louisiana Philharmonic Orchestra (LPO) calls home. The musical offerings and entertainment in New Orleans, attracting tourists from all over the world, provide stiff competition for orchestral music in New Orleans. To combat the challenges of the city's unusual cultural and economic landscape, the LPO turned to a unique management model that puts the musicians at the center of both artistic and financial decisions. It was a response to hardships faced over three decades ago.

The economy of New Orleans was hit hard during the 1980s oil bust. Shops closed, unemployment was at a high, and the city's sizeable oil industry was in despair. During this period, the city's then-fulltime orchestra, the New Orleans Symphony Orchestra (NOSO) experienced significant financial stress and eventually found itself in debt after spending its endowment as a last-ditch effort to remain viable. The NOSO went belly-up after shortening its 1990-91 season and cancelling its 1991-92 season.

A group of determined ex-NOSO musicians united to resuscitate the orchestra. Rather than prop up a failing organization, the musicians sought an unprecedented level of control over the orchestra's governance, from financial and administrative oversight to artistic input. The musicians also wanted to share more deeply in the success of the enterprise. They conceptualized an organization in which they would be responsible for generating revenues and sharing the proceeds among the players. At the same time, these players envisioned a democratic structure where decisions

and administrative work were distributed among the musicians. Amounting to a cooperative model, the reconstituted organization, emerging as the LPO, became what is now the oldest musician-governed orchestra in the nation.

The model resembles the cooperative structure of European orchestras, although the LPO's inaugural music director Klaus Peter Seibel, who spent many years conducting in Germany, remarked in *The New York Times* in 2002 that the level of control held by LPO musicians was greater than he had experienced in European orchestras. The LPO held its first gala benefit concert in November 1991 and launched a 16-week season beginning in January 1992.

The Louisiana Philharmonic Orchestra is the oldest musician-governed orchestra in the nation.

Flipping the Structure

Full-time contracted LPO musicians serve as the organization's corporate members, and thus have voting rights atypical of musicians of traditional orchestras. In the conventional orchestral nonprofit model, this privilege is typically given only to the board of directors. When the LPO was first created, the musicians elected a seven-musician executive committee that performed the orchestra's organizational and administrative tasks. The executive committee was effectively the philharmonic's first board of trustees. Musician members also voted on musicians to sit on committees that covered finance, development, marketing, personnel decisions, concert management, and education initiatives.

All full-time contracted orchestra members are voting corporate members of the LPO and appoint trustees to the board.

The orchestra players recruited community members to advise the LPO and support its role in the artistic landscape of New Orleans. Community trustee and Treasurer Timothy Kelly, who is the executive vice president and chief financial officer at the Standard Mortgage Corporation, was among the earliest community advisors for the LPO. He remembers the first financial meetings where the musician treasurer showed up with merely a Quicken sheet of income and expenses.

"I pulled him aside, 'What about a balance sheet?'" asked Kelly. "It was like a deer in the headlights. He was not aware that the full set of financial statements would be an income statement, balance sheet, and cash flow statement. Or the concept of accrual versus cash accounting and more. There's a whole bunch of things that they were not really prepared to do on the business side, accounting for the orchestra."

While the musicians initially did it all from accounting to marketing and development—and even conducting, when a conductor could not be enlisted—they eventually leaned more on assistance from community volunteers to help bolster their efforts in areas where they lacked expertise. Slowly, community members were voted onto the board of trustees by the musician-shareholders. About two-thirds of the board is currently community trustees. Administration was likewise an area that could benefit from non-musician expertise. The first staff member was hired in 1992, a part-time secretary. The organization's first executive director was subsequently hired in 1995, along with the orchestra's music director, Klauspeter Seibel.

The organization had transformed from a fully musician-run organization to one with three distinct stakeholders: musician corporate members; trustees comprising musician and community members; and administrative staff members. The musicians solely govern the organization at the corporate level; musician and community members collaboratively govern at the board level; and administrative staff

administer in collaboration with musician committees. Today, all full-time contracted orchestra members are voting corporate members of the LPO and appoint the trustees. The board of trustees handles major policy decisions for the organization and holds fiduciary responsibilities for the LPO, while the administrative staff is responsible for day-to-day operations. The chief executive officer, who oversees the staff, reports to the board. In the cooperative model, the musicians still retain the ultimate decision-making power, controlling who sits on the board of trustees. **Appendix 1** reveals the organizational structure of the LPO. This arrangement is in opposition to the conventional nonprofit model where a board entirely composed of outside community members is responsible for overseeing the organization's financial health.

"It's almost flip-flopped," said James Boyd, the LPO's current chief executive officer. "The musicians delegate much of their governing authority to the board, whose members they elect. This creates a fundamentally different atmosphere in the board room. Whereas the community trustees hold a majority of the seats on the board, they are fully aware that they have been elected by the musicians and that part of their obligation to the organization is to improve conditions for the musicians in their roles as employees."

Violist Bruce Owen, a founding member of the LPO and current musician trustee, said the model in its current form functions a lot like a traditional orchestra, with a board, staff, and musicians, but avoids many of the adversarial conflicts between board members and musicians because musicians both elect and sit on the board. Musicians, who hold far greater knowledge about the art form and about the needs of performers than outside community members do, have control over all aspects of the organization.

"I can't imagine why you wouldn't want to do it the way we do it," he said. "If it weren't for us, there wouldn't be any music coming off the stage."

Growing Pains

The LPO identifies now as a collaboratively governed and operated organization, where about one-third of the board is made up of musicians and the remaining two-thirds community members. The administrative

As the presence of outside community members and staff grows, the concept of ownership remains at the center of debates about the organization's future.

staff has expanded to 18 positions. As the outside community and staff presence grows, the concept of ownership remains at the center of debates about the organization's future.

CEO James Boyd aims to professionalize the LPO further, which means bringing more outside expertise into the organization. The infusion of external help has produced

new questions about the strategic direction of the organization, transitioning from what was a primarily musician-led structure to a more administrative-led structure. One of the ways this shift has taken shape is within the structure of committees, where various administrative and artistic functions are distributed among volunteering musicians. There are two types of committees: *corporate committees*, which are completely musician-run, with non-voting staff members assisting, and *board committees*, made up of musicians, staff, and community trustees. Starting in the early 2000s, staff members were added to the corporate committees to act as liaisons. While musicians still chair the planning and activities of committee meetings, administrative personnel have played a greater role. Boyd has observed that musicians have sometimes taken on a secondary role in deference to LPO administrators in committee settings. As CEO, he has encouraged musicians to maintain their leadership of committees.

Boyd also sees a generational divide in how committee leadership has evolved in the LPO. Founding and longtime members of the orchestra want to retain the original conception of ownership on which the orchestra was founded. Newer players have tended to feel stretched thin by the labor-intensive model and simply want to advise the organization rather than to administer. Although musicians are not required to serve on committees and do not receive additional pay for the additional hours, there is incentive to participate this way: it allows them to have a voice in the organization.

"It really comes down to how much energy you're willing to devote to the orchestra outside of the playing and practicing part, and any other work you have, to have it follow the vision that you want it to be following," said veteran Bruce Owen.

Cellist Rachel Hsieh joined the orchestra in 2013 and serves as both the assistant treasurer on the board of trustees and is the musician chair of the Finance Committee. As a newer member, she shares the concerns from musicians who are reluctant to get involved. Musicians, she said, are writing bylaws and HR policies—crucial operational documents—without necessary expertise or the time to acquire it.

"That's a big problem—that's why orchestras aren't musician-run," she said.

"When do you find the time to practice six hours a day, do side work, rehearse, and be co-treasurer? I have no idea how to do money stuff. I just try to observe what I can at the meeting and read outside of work. I don't think it's easy. I wish we could hire people to take care of it and not have to worry about it."

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Musicians still possess an experienced viewpoint for some organizational decisions, especially those related to artistic matters. In the Artistic Programming Committee, musicians confidently lead conversations on concert season planning. However, musicians without training in business administration may feel particularly uninformed when presented with financial intricacies and may have difficulty separating the competing needs between the musicians and the organization.

Artistic Planning Decisions

For a couple of years, the LPO has produced a series of concerts called “Beethoven and Blue Jeans,” bringing a casual concert experience to populations outside of New Orleans who might not otherwise be inclined to come to the Orpheum Theater for a concert. By ditching the conventional tails and black dress code, the hope was that audiences would be more likely to venture to an orchestral concert. But the series didn’t bring in the anticipated revenue and has been left off the concert calendar for the 2019-2020 season.

Larger-scale programming decisions such as this are in the purview of the Artistic Programming Committee, which consists of voting members of the orchestra and non-voting staff. The voting members include six elected musicians and Music Director Carlos Miguel Prieto. The non-voting members of the committee include Director of Artistic Programming Kerry Smith, CEO Boyd, Director of Production Diane Stengle, and Orchestra Librarian Lyle Wong.

“There was confusion whether that series would exist in 2019-2020,” said Smith. “As that confusion came to a head, a number of musicians realized it was going to be essentially deleted, and they made it clear that they’re not OK with it.” The musicians felt strongly about bringing music to regional communities in order to reach new populations.

“Turns out, audiences did want to get dressed up to go to the concert. And our wearing jeans wasn’t the most

appealing thing,” remarked Bruce Owen, the musician chair of that committee. The Artistic Programming Committee then began brainstorming ideas for how to make this satellite series work. After considering a number of options to replace the series, the committee took a strategic approach by considering the needs of each community individually. Since orchestral concerts gave certain communities an opportunity for a nice night out, they decided on bringing LPO Classics concerts to two of the regional communities. Another community is limited by its venue: it only has a small but lovely church for performances, so the LPO will bring a holiday concert plus chamber music programming there. The concerts in the final regional community were eliminated, since it was discovered the audiences there were already driving into the city for concerts. “We were diluting our audience by having a separate series there,” said Boyd. To satisfy a casual concert option, the LPO will add Friday happy hour concerts in New Orleans.

Director of Artistic Programming Smith said her role is to remain neutral, be transparent, and acknowledge the multiple viewpoints and motivations in meetings. “The attitude is very democratic,” said Smith. “When an issue is presented the ultimate goal is to have a vote, and the hope for me is that there is a clear decision made.” She also acknowledges the motivations of her colleagues in the room: Bruce Owen is interested in making sure musicians are working a certain number of services, and the CEO’s motivator is to have the replacement series be financially successful. Her motivator is often making sure important programming

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**– Kerry Smith,
Director of Artistic
Programming**

decisions are made with time to market the next season.

Owen said his role is to be a representative for the musicians, making sure everyone's voice is heard on the Artistic Programming Committee. It is different from when he served on the committee 14 years ago, when he had to organize all the meetings, do all the groundwork to secure artists and venues, and coordinate conflicting calendars. Among the founding musicians, he is happy the organization is at the point where staff members are hired to direct the administrative side of artistic programming for the orchestra.

Mounting Tension over Musician Pay and Hiring

At the very top of financial concerns for the LPO is the issue of musician salaries, or what they continue to call "shares." Although the orchestra has evolved from its strict "musician-owned" concept, revenue earmarked for musician shares continues to be divided and distributed among the musicians. Base shares are currently approximately \$25,000 per player, which happens to be one of the lowest annual salaries for a full-time orchestral musician in the United States. (Titled and doubling positions receive either 7.5% or 15% overscale.) "If you went to Philadelphia or if you went to New York and said, 'Hey, you're just going to get \$25,000 a year,' they would be so out of there," said Kerry Smith. **Appendix 2** provides an overview of base compensation since 2003, while **Appendix 3** compares base compensation with the Consumer Price Index for Urban Markets, which is how the LPO determines cost of living adjustments.

Raising the annual share while balancing the budget and maintaining cash flow is a chief goal of the Finance Committee. And this goal is especially scrutinized during conversations on the ideal number of full-time musicians to keep on the LPO payroll. As it stands, the LPO has been consistent in accommodating 67 salaried musician positions. Informed by recommendations

from the Personnel Committee, Artistic Programming Committee, and Finance Committee, players and staff argue for an ideal of 73 players. Within the current structure, a number of orchestral positions remain in limbo. There used to be an eighth cellist, a sixth bassist, and an eighth violist. There is no full-time piano player nor is there a cover conductor in case of an emergency with the principal music director.

Most significantly, the concertmaster position has been indefinitely frozen. After holding auditions, it was clear that the then approximately \$34,000 salary—well above the standard musician share—was not attracting the necessary talent for the role. Instead, the LPO hires guest concertmasters for most Classics series concerts, allowing the orchestra to draw highly talented violinists without straining the budget, though it sacrifices artistic continuity.

The concertmaster position has been indefinitely frozen, and the salary offered is not attracting the necessary talent for the role.

Cellist Rachel Hsieh, the musician chair on the Finance Committee, believes the lack of revenue for these positions is due to complacency in the staff and board who are tasked with fundraising. "They need to hire musicians and force the staff to raise the money for those positions." Additionally she cites that musicians voted for a 10% pay cut in 2008 due to the economic recession that has not yet increased, but that in 2012 some staff positions received pay raises, partially due to consolidation. Staff salaries, she complains, are higher than musician salaries. Boyd said he consolidated the staff and promoted a few longtime employees to department head status, to address concerns about unequal pay grades in staff positions as the staff has grown. As it stands now, staff salaries are tied to shares in the same manner as musicians, and increases and cuts to shares will equally affect musicians and staff. Hsieh's concerns

may be warranted, but her position as a musician trustee complicates her position. Sitting on the board of trustees, she assumes fiduciary responsibilities for the organization and is responsible for overseeing its financial health. But she sides firmly with the musicians.

In contrast, community trustee Tim Kelly, who serves on the Finance Committee, admits, “If we’re missing one violin player, I have no idea we’re missing one violin player. It doesn’t make any difference to what I hear.” Although the budget can support an orchestra of up to 67 players, Kelly has questions about the viability of even that number. “We’re not Dallas, we’re not Cleveland, we’re not Chicago,” said Kelly. “We don’t have the same market. The business community is not the same here in New Orleans as it may be in those jurisdictions that could step up the size of those orchestras. So do we need to rethink the size of this orchestra and the types of concerts we put on?”

“We all think the players are underpaid—all the community members.”

– Tim Kelly,
Community trustee
and Treasurer

from this area, and he’s a top tuba player. There’s no way he’d even be able to survive being a per-service player.” Without full-time work available, she worried the tuba player would be forced out of New Orleans, leaving the orchestra without options for hire.

“We all think the players are underpaid—all the community members,” said Kelly. But he asserts

that the largest single expense item of the orchestra is wages. And every new position added takes away from the pot of money distributed among the musicians. “Add three more players, that’s \$100,000 of costs (approximately \$75,000 in salaries and 30% more in fringe benefits), that’s \$100,000 that can’t be reallocated to the other players.”

Hiring a Concertmaster

The LPO is preparing to reopen the search for a concertmaster. The organization has gone too long without a position that arguably has a greater effect on the overall artistic product than any other player in the orchestra. As mentioned, the low salary being offered for the concertmaster position has failed to attract experienced candidates. Although the LPO’s current solution to hire guest concertmasters has brought in top talent, it means the orchestra lacks continuity among its players. The Personnel Committee, which oversees auditions, advocated for reopening the position to Rachel Hsieh and Tim Kelly with the Finance Committee. Hsieh and Kelly must make recommendations to the board about how to approach the hire. Should they raise the salary to attract more highly qualified candidates, knowing it will lower the overall musician share? Might they propose to freeze the position longer while drawing from revenue from elsewhere to fund the position? Or, would they consider hiring a more inexperienced concertmaster who might grow into the role, potentially sacrificing or delaying overall artistic excellence from the orchestra?

Hsieh has been approached by her colleagues, urging her to keep musician salaries from dropping. What might her responsibility be towards her colleagues’ financial stability and what role might her own personal salary play into her decision-making? Consider, on the other hand, what could result if she were to neglect balancing the budget, putting the orchestra’s future in peril. What should be her priority: the artistic result of having a dedicated concertmaster, overall financial stability for the majority of musicians, or ensuring the

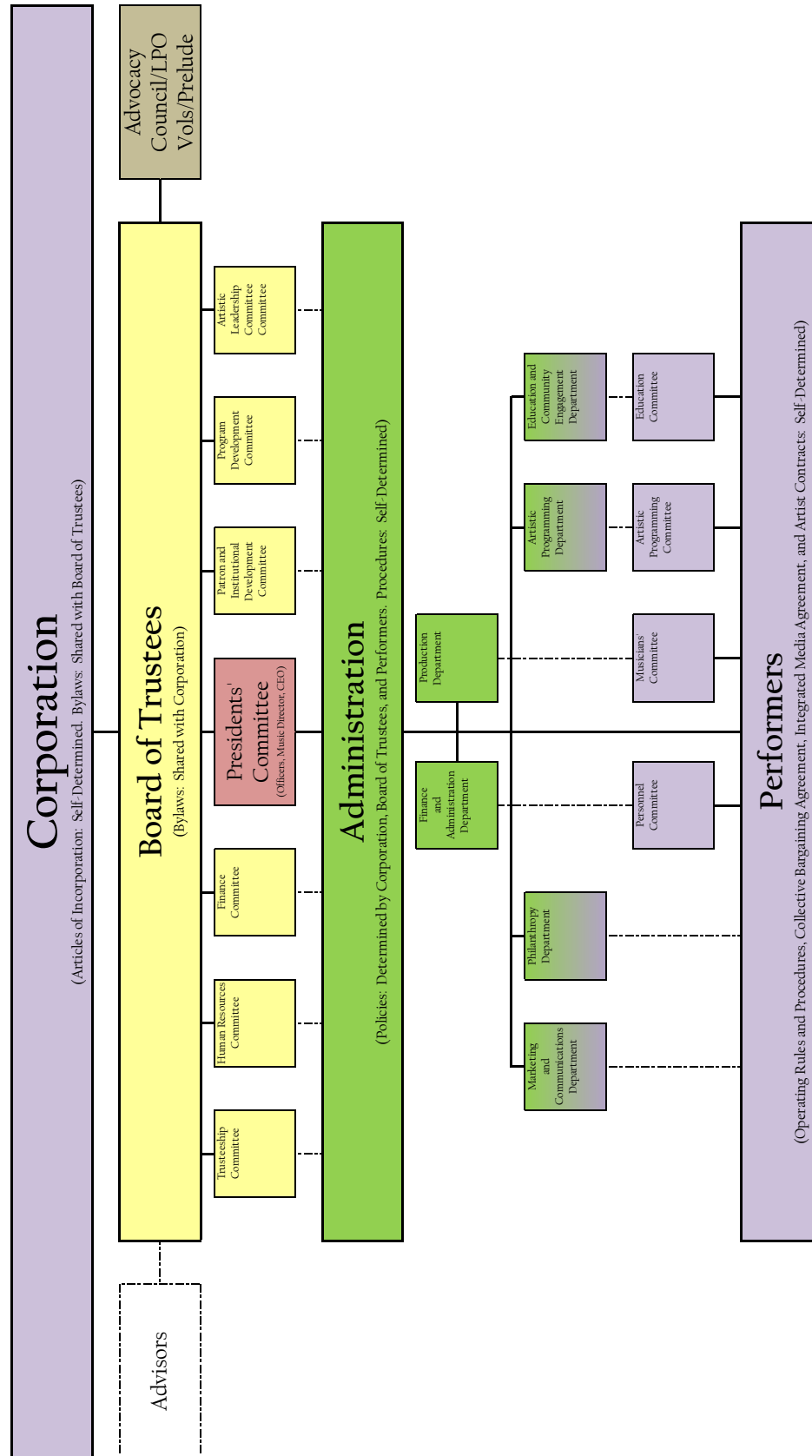
budget is balanced? Might there be further options for Hsieh that satisfy both musicians and the board?

On a separate front, the Personnel Committee is in search of new musician members at this time. Members of the committee would not be compensated for their time but would be given the opportunity to vet candidates, hear auditions, interview prospects, and evaluate options in committee. This work is of course in addition to performing in the orchestra

and taking on outside work, which many members do. The LPO's principal violist is considering whether to participate in the committee. In addition to her orchestra position, she teaches at Loyola University, manages a private studio, and operates an Etsy shop to bring in supplemental income. Should the violist participate, considering that communication between the concertmaster and principal players is key to a cohesive orchestra?

APPENDIX 1

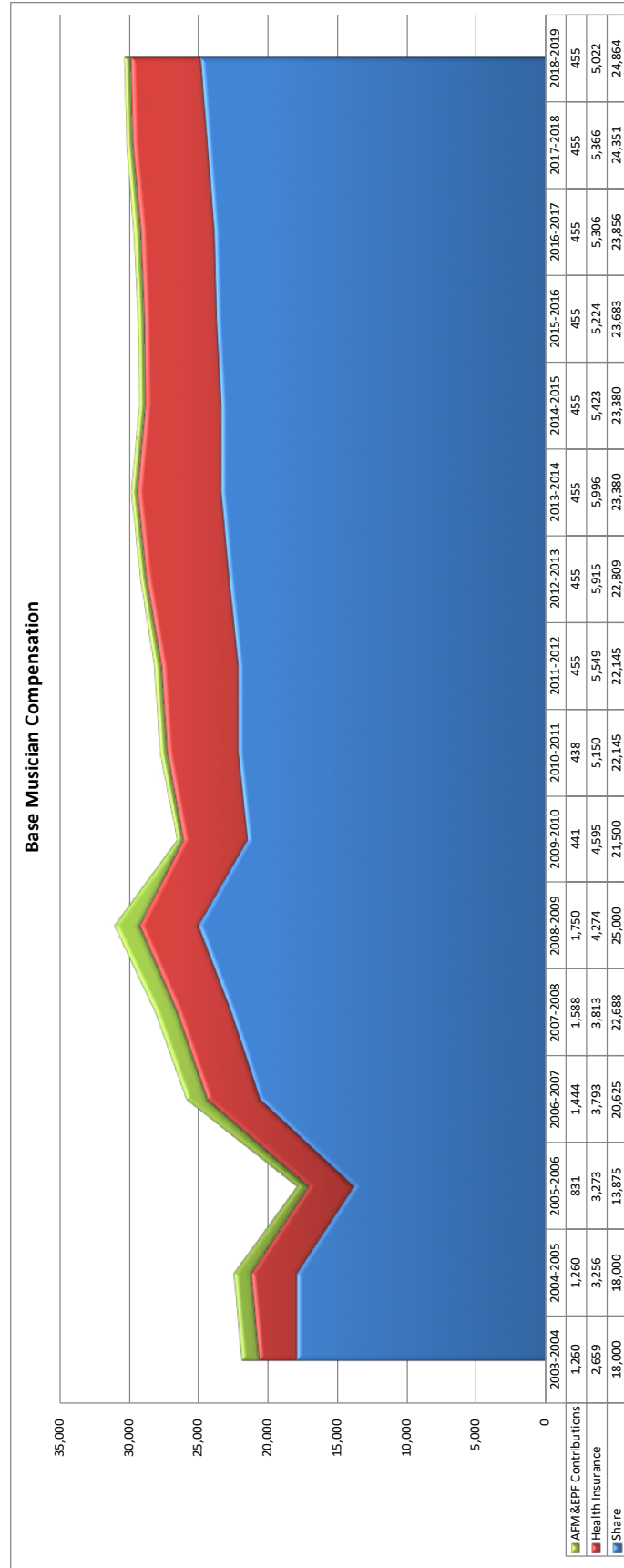
Louisiana Philharmonic Orchestra - Corporation



Key:
 Reporting Relationship
 Liaison Relationship

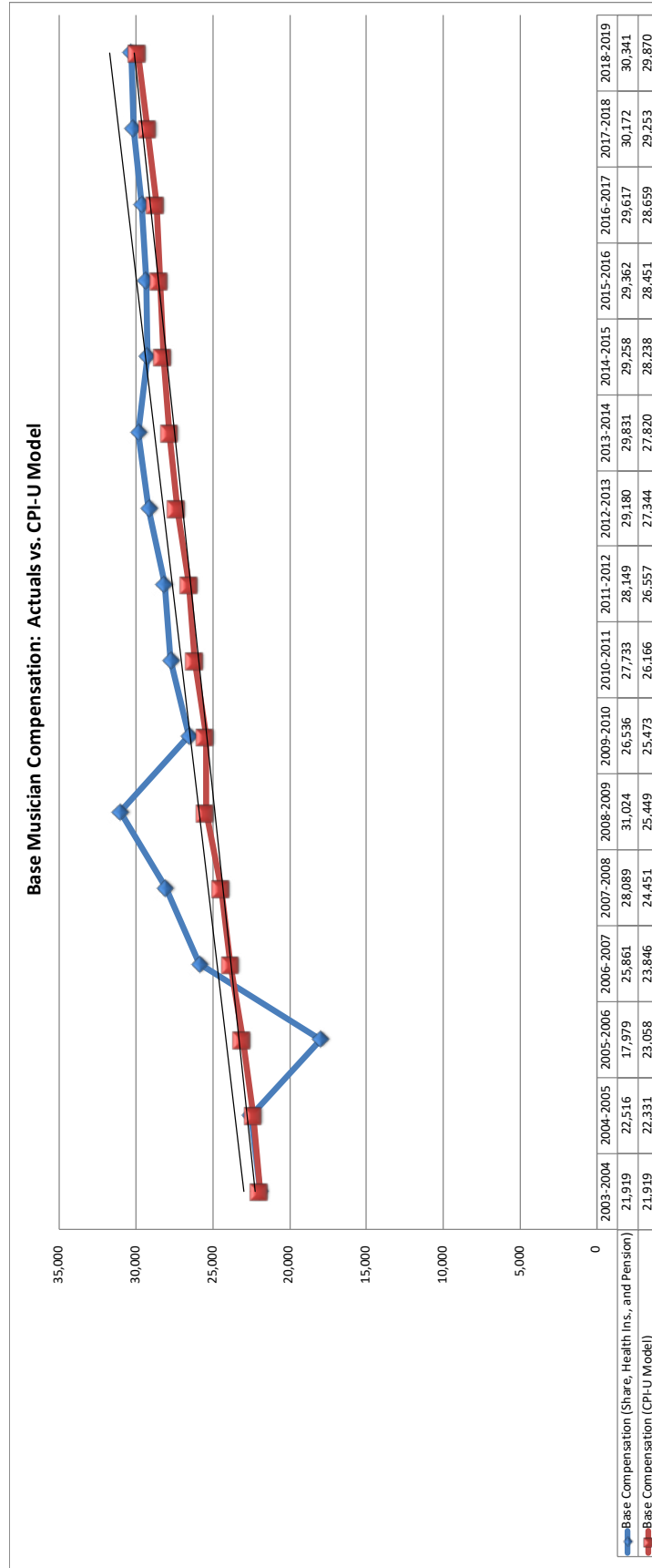
APPENDIX 2

Louisiana Philharmonic Orchestra - Base Musician Compensation



APPENDIX 3

Louisiana Philharmonic Orchestra
Musician Base Compensation: Actuals vs. CPI-U Model





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