

Changing the Culture and Redefining the Detroit Symphony Orchestra

TEACHER NOTES

Learning Objectives

- Examine culture changes within an orchestra.
- Evaluate initiatives relative to strategic plans.
- Weigh decision-making processes and prioritization of organizational goals relative to future priorities.
- Assess the organizational impact of broad economic conditions on arts organizations.
- Explore programmatic choices as they relate to serving community needs.

Topics For Discussion

Organizational Culture Changes

The Detroit Symphony Orchestra's internal culture was arguably at one of its lowest points during the musicians' strike and the six-month work stoppage that followed in 2010-2011. During this period, the Culture and Governance Task Force supported John McCann's work in administering an Organizational Culture Assessment Instrument (OCAI) survey. This survey begins with generic qualities of an organization (**Appendix 2**) that allows stakeholders to identify current aspects of their environment (**Appendix 3**). Invite students to critically review these two appendices, understanding the OCAI instrument tool and how it illuminated the views of constituents in 2011. What are the challenges and opportunities for the DSO suggested by the chart of organizational qualities revealed in **Appendix 3**? What factors could impede or contribute to implementing the recommendations as outlined in **Appendix 4**?

- Central to the culture of any organization is trust. Foster a discussion, or perhaps even create a role-play scenario, to understand and analyze the importance of the lunches and transparent conversations that Board Chair Phillip Fisher spurred. Why is the moniker "oneDSO" important to have, to reference, and to uphold?
- The history of the DSO is in part a lesson in revival in the face of adversity. Likewise, the history of Detroit demonstrates triumph in vision and commitment to the community in the face of economic strain. Engage students in a discussion around the decision points of these broad topics encountered. What could have resulted with different outcomes? What are likely the contributing factors that led to these decision points, both in 2011 and in 2019? How can the DSO, currently and in the future, draw strength and learn from the past to create a future in partnership with the city?

- From 2012 to 2015, the DSO's focus on improving the internal culture yielded positive results among stakeholders. Examine **Appendix 9**, which reveals John McCann's updated survey and assessment of the organizational culture. Compare **Appendix 3** and **Appendix 9**; in what direction was the DSO moving? How does this type of cultural change support the DSO's ability to achieve its goals? What are the ways that the DSO can implement the new set of recommendations as it continues to evolve? What role is there for the continued work of the Culture and Governance Task Force?

Organizational Planning

This case study presents a broad look at the DSO's 10-year plan (2013-2023) towards achieving financial sustainability, articulating the challenges and opportunities to continue innovating, and pursuing artistic excellence.

- Invite students to examine **Appendices 5** and **6**. **Appendix 5** provides insight into the financial modeling considerations from the Recapitalization Task Force. **Appendix 6** illuminates the forecasted income model that aims to reach financial sustainability. What types of questions should the Recapitalization Task Force ask when planning a financial road map toward achieving financial sustainability? How do these questions complement or contrast the philosophical choice the task force had to make?
- The DSO offers performing opportunities, including the Classical Series, neighborhood series, educational programs, community engagement events, touring opportunities, and The Cube programming. How should the DSO use the Blueprint 2023 relative to artistic decision-making processes? Foster a debate with students of how an organization could weigh financial priorities relative to its artistic direction and growth. How might the DSO Replay audience reach information (**Appendix 7**) factor into these decisions and priorities?
- Ask learners to refer to **Appendix 8** to digest the changes in ticket pricing relative to the number of concerts, classical subscribers, and average gifts. How do the implemented strategies since 2010-2011 track against the projected goals of Blueprint 2023? What are narrative strategies that the DSO might consider to move individuals along the patron continuum?
- The work stoppage allowed six months of "found" planning time for the administrative team to survey, assess, and plan for the DSO's future innovations – most with a specific focus on expanding services to Detroit's broad communities. How might this type of dedicated planning be centrally integrated and supported throughout the DSO's regular business operations?

Organizational Decision-Making

The Detroit Symphony Orchestra's work stoppage provided a time for imagining a new way of doing business. Upon the orchestra's return to the stage, the administrative team began implementation of the newly developed initiatives with CEO Anne Parson's commitment to testing these ideas for no less than five years. Layered on top of this, however, was a commitment to fundamentally change the organizational culture, including the decision-making processes.

- From 2013 to 2018, there were successful initiatives (touring, DSO Live equipment investment, etc.) that were not initially incorporated in the Blueprint 2023 plan. Encourage critical thinking around the numerous factors to consider when presented with these emergent opportunities. What are the priorities to consider when deciding to accept, reject, or defer a new opportunity? How might constituents be aligned in these priorities, and where might they diverge?

- **Appendices 1, 7, and 8** are only three examples that document, in multiple ways, the DSO's projections relative to DSO Replay, DSO Live, and DSO on YouTube (three parts of their digital future plans) relative to Classical ticket sales. What insights can students gain from analyzing this information? From the data and information contained in these examples, what are the key points of takeaway? Or to question? How would this information inform future decision-making as it relates to (1) achieving Blueprint 2023 and (2) planning for subsequent digital initiatives?
- The DSO is at a five-year inflection point, halfway towards fulfillment of the Blueprint 2023 plan. Examining metrics, impact, and financial results of the DSO's special initiatives provides one entry point into the overall organizational assessment. The final part of this case narrative provides a snapshot of the key components contributing to the progress of the previous five years. What are other ways the organization can reflect on the recent past to assess their learning, challenges, and growth? What questions should be explored? How does this information provide a path forward to guide priorities for creating Blueprint 2.0?

Economic Impacts

The economic challenges within the DSO were felt prior to the 2009 global economic depression. Well before the orchestra strike, the DSO management had reduced its staff complement, adjusted pension and healthcare benefits, and agreed to two contract-extensions with Leonard Slatkin that compensated him below his original contract terms. With all of these cutbacks, the leadership still unanimously decided to focus on a "mission-minded" financial model, not the "baseline" model that was projected to earn \$3 million more in annual revenue. What were the projected results of this decision?

- How did the vast economic challenges in Detroit and throughout the country have a negative impact on the DSO? Engage students in a conversation on how an organization might prepare for these types of unforeseen circumstances. What plans could be made to control and respond to the effects of external circumstances?
- Since the broader Michigan community rallied to save the Detroit Institute for the Arts, many donors in the region believed they had already rescued the arts once, therefore diminishing their desire to support another one of the city's fine arts stalwarts like the DSO. As is the case in most nonprofits, there is a continual need for annual donations. What are strategies that the DSO could employ as they communicate their identity and express their need for continued financial support?
- The DSO has held firm to staying within strict financial parameters, resulting in multiple years of consecutive balanced budgets. The ongoing need for fundraising, as exemplified in **Appendix 6**, is to build a patron continuum of support. This continuum is the trajectory of a patron moving from a single-ticket buyer to a subscriber to a donor. **Appendix 8** builds this case of support, demonstrating the interconnectivity between number of concerts, number of tickets sold, revenue, and average gifts. However, the reality is that subscribers and donors alone cannot make the organization fiscally solvent. Compounding matters is the uncertainty of what the future will hold relative to local, national, and global economic changes. While the Blueprint 2023 plan looks aggressive on paper, unforeseen external factors could arise and change the financial expectations overnight. How might the DSO consider alternative financial scenarios to remain nimble and responsive to external pressures in the future?

Programming and Communities

Programming innovations following the work stoppage have focused on serving the broader community. The Neighborhood Series brings the DSO to the surrounding suburbs, while the Neighborhood Concerts serve residents living in Detroit. The Classical Series serves a more traditional classical concertgoing audience, while The Cube presents a dynamic roster of artists. The Paradise Jazz Series attracts the jazz aficionados. The *Live from Orchestra Hall* serves audiences worldwide, and the *Live from Orchestra Hall Classroom Edition* expands the orchestra's reach to students throughout the region. While more time-intensive, the community programs foster deeper individualized relationships throughout the community.

- What are the factors that the DSO should weigh when examining the priorities of the diverse audiences they serve? How would an organization decide which audience is a priority? What are the consequences of privileging one audience over another? How might the organization prioritize allocation of funding resources in support of these various communities and audiences?
- The Cube presents a wide variety of programming with the intent of presenting artistic experiences that reflect Detroit's community. The idea of using The Cube as an experimental performance space has resulted in attracting audiences who typically do not attend DSO concerts. As it stands, The Cube operates under the broader DSO umbrella yet programs seemingly independently of all other DSO concert series. What are the pros and cons to operating in this way? What are ways that The Cube could intersect positively and/or profitably with the other series? What might the other series have to gain? Would this benefit future audiences in any way, or should they also be separate?
- Invite students to focus on the DSO's community engagement work from the musicians' perspective. There are a dedicated group of players who voluntarily elect to engage heavily with these performance opportunities. While these musicians help foster authentic relationships in the community, the challenge is finding adequate performance spaces. What are the factors that need to be considered when evaluating a potential performance space? What are the factors that need to be considered when evaluating a potential community partner? How can the DSO engage musicians in this discussion and decision-making process?

Changing the Culture and Redefining the Detroit Symphony Orchestra (B)

This supplemental case has been created to push critical thinking skills beyond the material presented in the principal case on the Detroit Symphony Orchestra. The material that follows should be used as a complement to the original case as a way to clarify the DSO's decision-making priorities and engage students with further thinking around organizational culture, fiscal sustainability, and leadership transitions. The instructor should choose how and when to present Case B, though should do so only after discussion and analysis of Case A has been completed. This could be as a follow-up assignment to be prepared for a subsequent class discussion, or it could be distributed in class for individual reading followed by continued group analysis. The Teaching Note for Case B is included to guide to discussion of updated leadership challenges faced by the Detroit Symphony Orchestra.

The DSO's Blueprint 2.0 Task Force was convened in April 2018, chaired by DSO board member Faye Nelson. Comprised of musicians, board members, and the administrative project management team, the group aimed to examine the underlying strategic and financial assumptions in Blueprint 2023 and was charged with creating an achievable path to balanced and sustainable operations. The task force began by reaffirming the key tenets of the DSO's mission:

- The DSO is an ensemble of distinction, attracting and retaining musicians and staff of the highest caliber.
- The DSO is an innovative, progressive, and patron-centered institution. One that is flexible and adaptive, prioritizing the needs of its constituents – on stage and through training and broad community engagement.
- The DSO is committed to maintaining a healthy culture with an atmosphere of collaboration and transparency.

Through the 2018-2019 planning year, the DSO's administrative leadership, serving as the internal project management team, guided the Blueprint 2.0 Task Force through detailed evaluations of major areas of revenue and expense. In its work, the task force challenged some assumptions in the original plan and urged the project management team to recommend more aggressive investment in the resources needed to reach Blueprint goals. The Task Force ultimately arrived at consensus around the following objectives:

- The DSO's operational framework is well-established. Changes to the model will be incremental to adapt to current conditions.
- Any growth in the number of concerts or season length must be balanced with organizational priorities.
- The goal of raising an *additional* \$75 million for the endowment, half of which would be collected over the next five years, is critical to the ultimate success of the Plan.
- The Plan must generate cash sufficient for debt retirement, pension funding, and capital investment.
- Strategic investments in staff and other resources must be made to achieve credible annual fund and earned income goals. The DSO cannot cut its way to prosperity.
- The DSO's efforts to support and contribute to a broad Detroit community (as formalized in the Social Progress Initiative) have earned the institution new relationships and respect from diverse constituencies, which can be leveraged for new successes.

The project management team created a new baseline Blueprint 2.0 model that identified aggressive yet attainable goals, reflecting targeted new investments around audience development, fundraising and community engagement, taking into account the \$8.3 million Bridge dollars raised in the first phase of Blueprint. Even still, the Blueprint 2.0 model reveals that an *additional \$2.5-\$3.5 million will be required to balance the model each year (Appendix 1 (B))* until the endowment reaches a sustaining level.

- *Earned income* growth of 3%-4% per year will be achieved through:
 - ♦ Targeted ticket price increases
 - ♦ Increased artistic budgets to create programming with high return potential
 - ♦ Added capacity at summer venues
 - ♦ The addition of two new Marketing positions to create digital marketing strategy and leverage the newly redesigned website
 - ♦ Capitalizing on the music director search to generate excitement and interest
 - ♦ New programming to broaden and diversify our audience base
 - ♦ An emphasis on capitalizing on the growing Detroit residential and tourist market
- *Annual fund* growth of 1%-2% per year to be achieved with the addition of one advancement staff position focusing on donor research, stewardship and engagement, thus expanding the DSO's donor base and limiting attrition.
- *Endowment draw* will increase based on the collection of \$8M in outstanding current pledges and the assumed collection of \$36M in new endowment gifts. Two new Campaign positions will be added to increase capacity in research and project coordination.
- *Expense growth* will be held below 3% per year.
- *New revenue* is required each year to balance the model. It is preferable to raise the \$12M needed over the next five years through a separate and immediate fundraising campaign.

The Blueprint 2.0 Task Force conducted a thorough review of data presented by the project management team and believes the financial projections are credible and attainable, provided that the board and DSO leadership fully commit to—and participate in—the work ahead. The task force has confidence that the plan provides a *pathway* to sustainability. Blueprint 2.0 builds on the DSO's past five years of success and establishes a forward trajectory for the organization.

Despite the positive transformation of the DSO and the visibility it has achieved among American orchestras, the discipline that the DSO adopted sometimes gets in the way, resulting in staff feeling as if they have not achieved enough for the organization. DSO stakeholders fully understand that financial viability is not assured and that complacency is not an option. They are committed to upholding the organizational values of being open, inclusive, collaborative, innovative, transparent, and welcoming in all parts of their operations, as identified in the DSO's 2019 Themes and Goals (**Appendix 2 (B)**).

While not explicitly defined in the Blueprint 2.0, the DSO has committed to a Social Progress Initiative, a commitment made in 2017 to “improve the quality of life for all Detroiters”. This initiative contains novel programs for residents, ranging from civic youth and adult ensembles to individual lessons, adult ensembles, and the newly developed *Detroit Harmony*, a vision of universal access to music education for every student in the city, offering a sustainable pathway to improved student achievement through arts-based learning. The outcomes for the *Detroit Harmony* project fall into two main categories: (1) student outcomes in the form of improved academic achievement, reduced truancy rates, artistic literacy, and job preparedness; and (2) economic and social outcomes, including new jobs for arts and education workers and increased civic engagement among parents and families of children involved in *Detroit Harmony*. While a feasibility study is underway in support of understanding the program design and implementation, the DSO views itself as a guarantor in the economic success and creative vibrancy of Detroit.

In looking towards achieving Blueprint 2023 version 2.0, there are two major considerations that will influence the organization's next five years:

1. While devastating, the six-month strike in 2010-2011 allowed for the time and space to ideate, analyze, create, and plan for the DSO's next phases of growth. As is currently exists, Blueprint 2.0 does not explicitly build in time or resources for deliberate planning and continued innovation.
 - a. How will innovation and creativity remain central to the DSO's culture for decision-making in the coming five years and beyond, all while balancing the demand for fiscal responsibility?
 - b. Part of the innovations already underway is the *Detroit Harmony* plan. What would you recommend to the DSO for ensuring this is fully supported, financially and with staffing resources, to achieve success? How would you weigh the DSO's support and leadership role in consideration with the other partners? Furthermore, how might the DSO leverage this plan to continue ideating for how to contribute to other social priorities?
2. Another major near-term consideration is the upcoming transitions in DSO's executive leadership. A current Music Director search is underway and discussions are also beginning for the successors to Board Chair Mark Davidoff and CEO Anne Parsons.
 - a. How should the DSO approach the identification of its future leaders? What are ways in which the organization can continue to uphold and evolve its internal culture as the leadership transitions?
 - b. Supporting these leadership transitions will take added responsibility and time of the entire organization, especially among the administrative staff team. How might the DSO navigate adding this responsibility, especially in light of staff already feeling as if they have not accomplished enough?

Appendix 1 (B)

Financial Operations Committee Meeting March 11, 2019

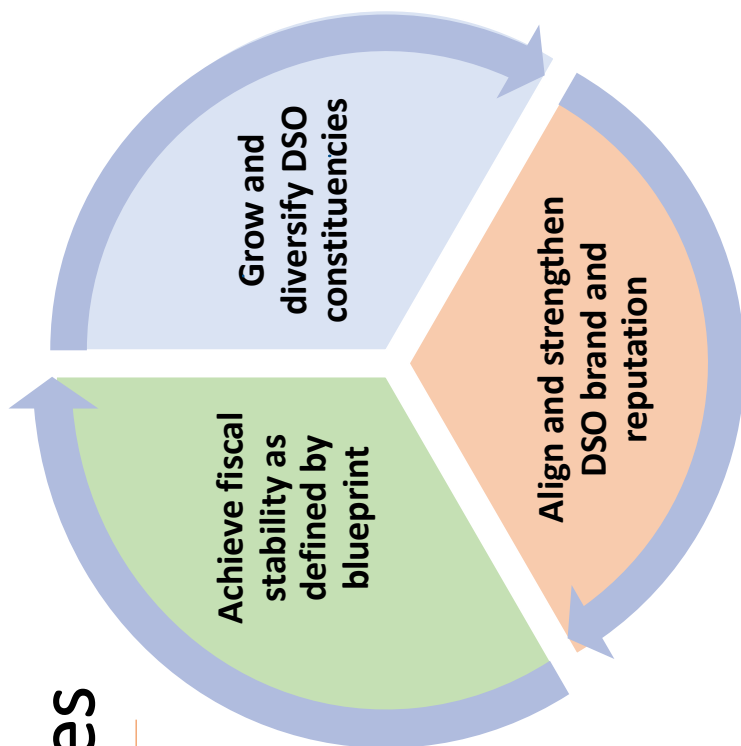
(000,000s)	Act 2018	Bud 2019	2020	2021	2022	2023	% of Total	CAGR '18 - '23
REVENUE								
Concert Revenue	7.3	7.9	8.2	8.4	8.5	8.7		+3.4%
Other Earned Revenue	1.6	1.5	1.5	1.5	1.6	1.6		-0.6%
Earned Revenue	9.0	9.4	9.7	9.9	10.1	10.3	31%	+2.7%
Annual Fund & Events	13.7	14.0	14.1	14.3	14.5	14.5		+1.3%
Committed Bridge Funding *	3.9	3.8	2.3	2.1	2.0	1.9		-13.7%
Total Contributed Revenue	17.5	17.8	16.4	16.4	16.4	16.4	49%	-1.3%
Endowment Draw	2.3	2.4	2.7	3.0	3.4	3.9	12%	+11.6%
New Revenue **	-	-	2.8	3.0	3.5	2.8		
TOTAL REVENUE	28.8	29.5	31.7	32.3	33.4	33.4		+3.1%
EXPENSES								
Orchestra	11.8	12.3	12.8	13.0	13.1	13.5		+2.6%
Performance & Program Exp	6.3	6.8	7.0	7.2	7.3	7.4		+3.4%
Total Music Expenses	18.1	19.1	19.8	20.2	20.4	20.9	63%	+2.9%
Staff	7.3	7.4	8.3	8.4	8.5	8.7		+3.7%
Indirect	3.1	3.0	3.1	3.2	3.3	3.3		+1.2%
Total Support Expenses	10.4	10.4	11.3	11.6	11.7	12.0	36%	+3.0%
DB Pension	0.2	-	0.3	0.3	0.3	0.3	1%	+4.2%
TOTAL EXPENSES	28.7	29.5	31.4	32.0	32.3	33.1		+2.9%
NET OPERATIONS	-	-	0.3	0.3	1.1	0.3		
Debt & Capital Needs	-	-	(0.3)	(0.3)	(1.1)	(0.3)		
NET AFTER DEBT & CAPITAL	-	-	-	-	-	-		
Endowment Cash Collected	6.2	4.9	4.8	7.5	11.3	15.1	43.7	
Projected Endowment Balance	53.5	59.2	64.8	73.2	85.5	101.9		

CAGR = compound annual growth rate

Appendix 2 (B)

OUR VALUES: Open | Inclusive | Collaborative | Innovative | Transparent | Welcoming | Excellence

DSO Themes



VISION: The Detroit Symphony Orchestra is an inclusive and culturally relevant community where all people can experience their world through music.

Changing the Culture and Redefining the Detroit Symphony Orchestra (B)

TEACHER NOTES (B)

Learning Objectives

- Evaluate ongoing development of organizational culture change.
- Assess financial stability relative to strategic plans.
- Consider simultaneous executive leadership transitions.

Topics for Discussion

Organizational Culture

The internal culture work throughout the past decade has fundamentally and positively changed the DSO's operational norms. The organization prides itself on openness, inclusiveness, and transparency in all aspects of its work, and ensures a cross-constituent team is represented in every planning and governance committee.

- The Blueprint 2.0 lays out a tactical strategy for achieving fiscal sustainability, yet there is little mention of the time or space created for continued creativity and innovation. How might the DSO create this space? How does innovation look different between the first five years of the plan and the second five years of the plan?
- Invite students to discuss **Appendix 2 (B)**, which showcases the DSO's guiding principles for 2019. How could (or should) the DSO's organizational culture continue to be fostered relative to the 2019 themes and goals? How are these goals exemplified within the Blueprint 2.0 plans?

Fiscal Sustainability

Central to Blueprint 2023 was the commitment to fiscal stability. The DSO has met this charge with six consecutive years of balanced budgets, even when new artistic opportunities (touring, etc.) were presented and undertaken. Blueprint 2.0 also articulates ambitious financial goals.

- Invite the students to compare **Appendix 1 (B)** to **Appendix 6**. Lead a discussion that examines the differences between these two financial plans. What are the factors that have led to these changes?
- Engage the students in a discussion that examines how the Blueprint 2.0 priorities are reflected in the financial plan (**Appendix 1 (B)**). What are strategies for balancing the priorities presented in the Blueprint 2.0 plan?
- How should the DSO plan for further investment and leadership in *Detroit Harmony*, a project plan they have committed to on the one hand, but is not financially reflected in the Blueprint 2.0 plan? How does this project meet the DSO's themes and goals for 2019?
- What are decision-making processes the DSO should consider to evaluate future new opportunities not currently represented in this plan?

Leadership Transitions

The work of the last five years has defined the DSO's new way of doing business, thanks in large part to the commitment and support from the executive leadership, namely CEO Anne Parsons and the Board Chairs Phillip Fisher and later Mark Davidoff. Yet along with implementing and sustaining the recent organizational changes, the DSO will soon be faced with significant leadership transitions in the positions of music director, board chair, and CEO.

- What qualities of leadership does the DSO value as an organization? What are the similar leadership qualities expected of all three positions, and what are the qualities unique to each position? Break students into different groups to discuss these questions, perhaps having three groups that focus on each of the three positions. Challenge each group to prioritize the key leadership qualities that are essential ("must-have") and beneficial ("nice-to-have") in the DSO's next generation of leadership. How are these leadership qualities ascertained in each position's interview process?
- Separate from senior leadership transitions like this, most nonprofits see burn-out among staff due to a multitude of factors, and subsequent impacts ripple throughout the entire organization. Other staff colleagues take on additional work to make certain projects happen and ensure that concerts are produced, while tenured musicians reinvest their time and energy to develop new working relationships. Engage students in a discussion to brainstorm strategies for mitigating burnout, from the perspectives of general human resources management and executive leadership vacancies.