

In this chaos there is a mandate

Opera America

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Good afternoon. And thank you to Opera America for giving me the opportunity. The topic assigned is *Making Change*.... I just want to make three points today.

The first point is that sudden unpredictable change in our operating environment is unfortunately only *illustrated* by the pandemic and not confined to it. Complex non-incremental change *is* the next normal.

This has obvious implications. So, the second point is that the way that we plan and manage in the cultural sector in general – and I speak as someone who has been at it for 30 years — is not very well designed for this tumultuous environment.

The third point is that opera as an art form is now created and performed within a massive range of organizational structures – it's quite a distance from the Met to the UK's Streetwise Opera - that Nina Simon referenced last week. But we can identify some of the factors that might increase the prospects for effective institutional adaptation to this changing environment. I am going to make a few suggestions.

So, point one: there's a lot of change about.

That goes without saying, of course. We have 40 million people unemployed, our cities are on fire, and more than 105,000 people died in the last two months from a pandemic we did not see coming...

And of course we went into pandemic having slowly absorbed the scale and severity of the climate crisis; and feeling frustrated by an unprecedented and growing level of political, social and economic polarization,



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all fueled by an abject failure of governance at national level and, apparently, encouraged by hostile interventions via social media from Russia, China, Iran and North Korea.

We have technological innovations – from Artificial Intelligence to bioengineering- that are transforming the nature of work and its distribution and of the character of society itself – probably making some form of national minimum wage inevitable and upending our legal frameworks for contract law and liability, for privacy and associated individual rights. Our framework of *international* law and our international supply chains– on which our reliance is at a historic peak - are threatened by a resurgence of nationalism and the corrosion of international trade and defense agreements, from the European Union to the World Health Organization. Yesterday, apparently, President Trump announced a unilateral plan to ditch G7. We in a period of nuclear proliferation.

And there is the worst plague of locusts in North Africa and India in 30 years.... and at the end April, the Pentagon officially released three videos of unidentified flying objects recorded on infrared cameras.

So, we definitely live in interesting times.

All these dramas – except possibly the UFOs - are interacting in ways that are simply too complex for man or machine to model. And if someone could foresee them then alas, we lack the systems of governance to address them effectively. Nassim Taleb - the author of *The Black Swan* – the 2007 book about the growing frequency of unforeseen events with significant impact - ‘fat tails’ as they are known to statisticians in contrast to the tails on the curve in normal probability distributions which are tapering and thin. Taleb has roundly rebuked people who call the pandemic a Black Swan because so many people did indeed predict it. It’s just that our political and civic institutions are unable to muster an appropriate response. The pandemic wasn’t a black swan, it was simply a predictable event to which we were unable to create a mitigation strategy in advance of its arrival.

Is the current civil unrest in cities throughout America – and spreading internationally last night - really surprising? If you think so then listen to the most compelling piece of political oratory I have heard in the last few years! the rap singer Killer Mike of *Run the Jewels*, last Friday standing with the Mayor of Atlanta,

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<https://www.rollingstone.com/music/music-news/killer-mike-speech-atlanta-protestors-press-conference-1007816/>



wearing a T shirt emblazoned with Kill Your Masters. I challenge anyone to watch it and then say 'Gosh, what a surprise.'

Would you *really* be surprised if North Korea undertook a highly provocative nuclear test in the next month? Or if Russia tried to annex more of the Ukraine? Or Latvia? Were you surprised that China reneged even further on the 1997 Hong Kong handover last week?

We are dealing in all these cases not with Black Swans but with what have become known as 'wicked' problems. That is to say problems that are fiendishly difficult to solve – not necessarily at a technical level – but almost insoluble within current political and social frameworks and values. Other wicked problems can easily be found in health care, hunger, income disparities within nations, obesity, terrorism, and – perhaps most urgently today –institutional racism.

Let's focus briefly on the pandemic and then use that to underscore the wider point. Here are five 'known unknowns' to use the Rumsfeldian coinage that render things somewhat 'wicked' for our sector.

- First, there is the science itself, let's just address the pace at which an antiviral will be found, tested, and distributed. Here's Mark Cuban the owner of the Dallas Mavericks in yesterday's NY Times:
 - "Science has advanced. We know more than what we did before, and just speaking personally, my expectation is that science will continue to progress forward with therapies, testing and vaccines. I'm actually more optimistic about a vaccine coming early than what others expect." Subtext: we are reopening our sports facilities fast.

But here's Ken Frazer, Chief Executive of the big pharma conglomerate Merck in last week's Financial Times:

- "A 12 to 18-month timeframe to develop an effective coronavirus vaccine is very aggressive... It is not something I would put out there that I would want to hold Merck to... vaccines should be tested in "very large" clinical trials that take several months if not years to complete. "You want to make sure that when you put a vaccine into millions if not billions of people, it is safe."

Here we have two high profile figures with skin in the game making loud and mutually incompatible statements about perhaps the single most front-of-mind issue for the world – when we can put all this behind us...

For the lack of an informed consensus about the time to get a vaccine distributed, you could substitute lack of a consensus around any of the following: the length of time for which infection and recovery may give you immunity; the physical manifestations of the disease; the mechanics of social transition and therefore the



requisite social distancing; whether there is one strain or more; and at what point herd immunity kicks in. (There is a great article in the Atlantic by Ed Young on all the science we don't yet know about Covid. It's long...)

- Then there are the known unknowns of public health policy layered over the science. In Sweden it's clear – 'herd immunity' - and in Singapore at the other end of the spectrum it's clear – test and trace. For US and UK, it's far from clear...I have just finished co-writing a short advice note on reopening for US art museums that is currently doing the rounds. The lack of a clear national framework is giving rise to multiple paralyzing anomalies. Should you provide masks when you reopen? If you run a museum in Ohio, you are advised not to because if you provide the mask and an outbreak is subsequently traced to your site, you bear a potential liability that you do not if you simply don't provide a mask. It's a mess.
- Then there is the unknown of the scale of the economic recession we are facing, and its impact on consumer spending, philanthropy, on international travel, economic policy...And of course it is only as we come off CAREs, that the impact will be more fully manifest...
- Fourth there are the behavioral unknowns – how will different demographic groups behave as we reopen, and will there be lasting 'social scarring' – how much trust will there be in what we say about the hygienic conditions of our venues. When cultural institutions reopened in South Korea – they have subsequently reclosed on the second wave – and people were asked about whether they were nervous, they uniformly replied: "No, if the government says it's OK, it's OK." This is... er... unlikely in the US, so the issue of public trust in the institution is going to be absolutely critical.
- And fifth of course just imagine how much easier your life would be if you had confidence that you had a firm calendar date – rather than a set of criteria to be met - when you could fully reopen. It is unclear when the performing arts may reopen live – and obviously for singers, unmasked - in a more-than-symbolic form of socially distanced performance on video. So, there is the as-yet unknown impact on the business models which, as they stand ARE still rooted overwhelmingly in physical infrastructure and live performance. Just how big a cash reserve are you going to need to get to the other side?

Those are just some of the more obvious unanswered questions around the pandemic. You know them as well as I do.



So, I think, as of 2:15pm Eastern on June 1, 2020, it's both a reasonable and an important premise that the future is opaque - and that *many of the assumptions that that we believe we need to be able to make to plan are simply absent*. We are temporarily confounded and therefore feel trapped in the present.

So, on to point two ... opera is the art form that works on long planning horizons. Not necessarily *quite as long* as planners would have us believe but yes up to five years out if you are booking principal singers who are in demand. So, for opera as an art form and as a sector of the creative economy this is quite uncomfortable.

Just to be clear - our current way of planning in the arts isn't premised on a static environment. We are not that daft. I'd argue that arts managers are highly sensitized to the changing operating environment in which cultural institutions find themselves. THERE is probably no one listening to this who cannot discuss intelligently any of the following seven topics all of which are about to change:

- digital technologies' changing impact on the creative process; on performance capture and on distribution - and the challenges of developing viable business models around these;
- the long run impact of demographic change on audience and repertoire;
- changes in people's appetite for the experiential and what it means for the art form;
- the growing desire for co-creation and for greater agency in the creative process in younger audiences;
- the rise of venture philanthropy and the challenges that the arts have in holding their own in a philanthropic marketplace that puts a premium on problem solving;
- the impact of the decline in K-12 arts education on long term participation;
- the changes in how leisure time is structured and planned and sliced and diced and the challenges this represents for subscription models and for long form works with set start times...

I am not saying that these issues have been addressed fully and integrated into business models and programming strategies. But we have been 'sitting with them' - as the expression goes - for a long time. They have been the stuff of Opera America convenings and fat reports and Foundation initiatives for a couple of decades now.

Some of their challenging implications were – when initially raised - well outside what is known as the 'Overton Window' but the Overton Window has opened considerably. (The Overton Window is an idea named after a political scientist called Joe Overton –a useful shorthand for the areas of politically and



organizationally acceptable discourse.) I have seen the Overton Window grow in my own work with boards and management of arts organizations over the past three decades with respect to all this territory. Initially - say early 1990s - as a consultant I would get a gig and produce a technical answer, and the client would thank me, and we were done until they hit the next problems that between us, we might be able to figure out. I relied on my technical skills to earn my living.

Then for a long period of time – let's say 1995 to 2008 - the technical solutions were just half the story - the easier half - because the answers were further and further outside the Overton Window. The technically right thing to do gave the client *angst* and *agita* because the solutions had unwelcome ramifications for the way of doing business - unpalatable implications for branding, for marketing, for programming, for organizational structure, for the vibe at board room meetings... I had to work hard on my rhetorical chops to match my technical ones, so that I could persuade the client.

But for some time before the pandemic – I really noticed it coming back to consulting in 2012 after a five-year stint as Chief Exec of Jazz at Lincoln Center - and *spectacularly* right now, there has been a porosity and an openness to trying new things. The Overton Window is big and wide and open. The questions are now, again, more technocratic. They are about 'what' not 'why' or 'how' again. I believe most institutions are up for radical solutions. They just want to know *what* radical solutions.

But there is a further complexity to all this that I should mention.

Unlike the seven issues I mentioned above – what has become the somewhat atrophied standard list of 'challenges faced by the sector' - the next generation of challenges, for which the pandemic is - I am suggesting - only a harbinger, have a different character. They are not long-term secular trends, or at least *where* they are, they manifest themselves in abrupt non-incremental ways.

- Climate change leads to levee breaks in NOLA or to last week's damn breaks in Michigan or to the flooding of the theater district in Houston – *An event, discrete, sudden and out of our control*;
- the ubiquity of social media leads to digital swarming around a particular institution or board member – *An event, discrete, sudden and out of our control*;
- pandemics spread quickly – *An event, discrete, sudden and out of our control*.

These require a tactical agility – fast, decisive action in real time and in the spotlight of media and stakeholder attention. We have seen several large cultural institutions misstep and walk it back. That is quite different from the context and texture of decision making required for say long term audience development



or deciding your digital strategy.

I do not think that the traditional processes of strategic planning work so well in this emerging context. They don't predict the event and they don't inform the response. The plans are generally set aside quite quickly. This is because - for all the rubric and throat clearing about **mission and values** in the preamble, and the cursory *tour d'horizon* of the '**changing environment**' - they are about *institutional goals* and these goals tend to be very concrete – often quite literally so: new education center or whatever. They emphasize specific milestones because these make for good fundraising collateral, they generate quantifiable KPIs, and provide a clear mechanism of accountability to stakeholders. The emphasis of 'strategic planning' is on the *planning* rather than the *strategic*.

None of this works so well in what has become known as a VUCA environment. VOLATILE, UNCERTAIN, COMPLEX AND AMBIGUOUS The comfort that it gives stakeholders that you ostensibly know what you are doing and are therefore are deserving of support is only partial compensation for the systemic blindness that it can create with respect to a rapidly changing environment.

We probably need to remember that in periods of discontinuous change mostly it is *new* organizations unencumbered by the baggage of the past and engrained ways of doing things that emerge victorious. There are obviously companies that evolve but many are wiped out. This process is known euphemistically as 'rationalization'. The dynamics are different in the for profit and nonprofit sectors because there is no shareholder class in our world – no unified capital market pushing for efficiencies, mergers and closures. We hang on for longer and writhe more publicly.

But the 'convulsive disintermediation' – the cutting out of the middleman - that has transformed taxis and limo business, publishing, music, travel and medical diagnosis is working its way toward us and in these cases, it is usually new players that navigate most easily. Doug McLellan made the point well in his discussion of the impact of new technologies two weeks ago... So 'existing players' have no alternative but to be on their mettle, unwelcome though the news is. The *status quo* is not an option.

This brings me to my third point: that we need some new tools in the toolbox to cope with the sort of ride we may have ahead.

As I said at the top of this account, generalizations are dangerous – the situations of Houston Opera or San Francisco or Seattle are fundamentally different from Minneapolis' Really Spicy Opera or the Pacific Opera Project or maybe somewhere in the middle like Opera Philadelphia.... Opera is a broad church artistically and operationally. But I think the general shape of what is likely to work is clear:



1. Scenario planning is important because it forces you to set aside your biases – especially systemic optimism – and look at alternative futures. The methods are pretty well established and it's good for intelligence gathering and getting people on the same page. But it's not about choosing and taking a bet on one of the scenarios. Nor is scenario planning about running different financial scenarios – it is about building up different pictures about how the operating environment will play out and then figuring out the impact on your institution and then what you can do about it.
2. As important is to work to reduce the fragility of your company – the damage that can be done by exogenous shocks. This is generally called resilience if the shocks don't hurt you too much and antifragility if the shocks actually make you stronger. The greater the chance of exogenous shocks, the greater the importance of thinking this through. We have in our sector seriously ignored the importance of this – we are fragilistas - and it is above all manifest in one or two metrics: the strength of the balance sheet (esp. more liquid assets) and the ratio of fixed to variable costs. We should be working assiduously to change the ratio, remembering that in the very short run all costs are fixed and in the very long run all costs are variable.
3. We should not overlearn the lessons of the last war. The lesson of the war on the corona virus is going to be earned income is a liability, because of the very specific impact of Covid 19 on earned income. The next exogenous shock will probably not play out that way – there is no obvious reason why it should;
4. In advance of any form of planning, it is good to know and agree collectively what is in Column A (the essential defining assets) and what is in column B (everything else, to which your attachment is contingent and unsentimental). Make sure your mission and your values are in Column A not Column B. An agile team with a clear sense of mission and values is probably more effective in this environment than a hierarchical organization marching toward institutional goals that may no longer be helpful.
5. Finally, last month I asked seven senior figures in the cultural sector whether by poking around in this mayhem, they saw any opportunities. It was a tasteless and impertinent question given what they - and you - have on your collective plates. I was surprised by how readily the answers came. Here they are in ascending order of ambition.
 1. Temper attendance as the principal metric of success.

Museum leaders especially have long complained that using attendance figures as a – or the - key performance indicator distorts and trivializes. There are great alternatives that have



intellectual rigor and general assent. Now it's not possible to use them, great!

II. Take a more strategic approach to all programming

There are reasons why programs grow. Some are better than others. Funders often have quite specific concerns or agendas that can exercise a strong gravitational pull – education programs for example often have to follow the money. It is also easier to say 'yes' than 'no' to enthusiastic, poorly remunerated staff with strong departmental or individual agendas in a period in which many funders are relaxing restrictive grant conditions and in which there is a new level of resource constraint, focused well-defined program strategies with clear goals against which they are evaluated routinely and adjusted accordingly may have a stronger rationale.

III. Own your neighborhood

The positioning of cultural institutions as 'community anchors' alongside educational and health institutions ('eds and meds') has been gaining currency over the past decade, as the arts community has embraced its role in place-making. This means a whole set of agendas for deep engagement in local life.

IV. And extend and deepen the local partnerships that are currently forming

Collusion is illegal in the private sector but there's a lot of it about. Nonprofits are free to collude but there's generally less of it. Right now, however, there is an unprecedented level of collegiality between cultural organizations in given localities. This offers opportunities for partnership beyond coordinated approaches to reopening protocols - to revisit the sort of back-office sharing that was explored and then largely dropped in the 2008 crisis and its aftermath. And more profoundly, for enduring partnerships in areas such as education and public programming, where local and regional cultural coalitions can take on agendas that are beyond the reach of single institutions.

V. But also nurture the burgeoning virtual community – Doug explored this so I won't repeat it except to say this is the moment when virtual audiences and their significance for the fulfillment of mission can be more fully and permanently recognized and institutional priorities realigned to reflect that reality.

VI. And lastly - and I have to credit Richard Armstrong, the Director of the Guggenheim, for saying this most eloquently - hone the distinctive contribution of your art form to reimagining



society

Arts organizations have an opportunity to make a contribution to civic discourse that is perhaps better aligned to their intrinsic strengths than some that we have promoted heavily in recent years. It is obvious that many of our political and civic institutions have failed in the promotion of the interests of humanity and the planet. That's where I started. We are entering a period where a profound questioning and reformulation of values and priorities is of existential importance and everyone knows it. We all watched the news last night. Artists and arts organizations – looking back to humanity's highest aspirations and forward in the imaginative processes that are at the core of artistic expression – have to play a role in the framing of that broader debate.

In this chaos there is a mandate.

Thank you,

ENDS

