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**T H E A R T S:**  
**AUDIENCE DEVELOPMENT AND FINANCIAL MANAGEMENT**

**Arts Research Seminar No. 6**

**June 6th, 1986**

**Research & Evaluation Section  
The Canada Council  
March 1988**

THE ARTS:  
AUDIENCE DEVELOPMENT AND FINANCIAL MANAGEMENT

Arts Research Seminar No. 6  
June 6th, 1986

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## Introduction

As part of its ongoing research program, the Research & Evaluation Section of the Canada Council has initiated a series of arts research seminars to investigate, in a public forum, issues of concern to the arts in Canada. The sixth seminar was held on June 6th, 1986 in the Board Room of the Canada Council. Its topic was The Arts: Audience Development and Financial Management. The seminar featured Harold Horowitz, Research Director of the National Endowment for the Arts, Washington, and Ron Blackburn, Assistant Director General of the National Arts Centre, Ottawa.

The transcript of the sixth Arts Research Seminar which follows was edited by Claire McCaughey, Research Officer, Canada Council. It reports the research papers presented and the questions and observations raised during the seminar. The transcript was edited from a taped recording of the seminar. A list of the more than 50 participants follows this introduction. Errors and omissions are the responsibility of Research & Evaluation.

I invite interested arts researchers to submit papers for future seminars, as well as to suggest topics for investigation. Transcripts of future arts research seminars will also be produced and made available to participants and others concerned with the arts in Canada.

I take this opportunity to thank the featured speakers, Harold Horowitz and Ron Blackburn, as well as participants of the sixth Canada Council Arts Research Seminar, and invite them to attend subsequent seminars. I wish to thank Mary Jean Clairmont for preparing the draft transcript, and Diane Schroeter for acting as sound technician during the seminar. It is hoped the series of arts research seminars will ensure that the importance and impact of the arts on the Canadian society and economy will be more fully appreciated by public and private sector decision makers.

Harry Hillman-Chartrand  
Research Director  
Canada Council  
Ottawa, Canada

**THE ARTS:  
AUDIENCE DEVELOPMENT AND FINANCIAL MANAGEMENT  
Arts Research Seminar No. 6**

Harry Hillman Chartrand  
Research Director, The Canada Council  
**Chairman**

**LIST OF SPEAKERS**

Harold Horowitz	National Endowment of the Arts Washington, D.C.
Ron Blackburn	National Arts Centre Ottawa, Ontario

**LIST OF ATTENDERS**

<u>Name</u>	<u>Affiliation</u>
Elizabeth Adamitz	The Canada Council
E.N. Alpin	Alpin Engineering Inc.
David Anido	External Affairs
Gaston Blais	Department of Communications
James de Gaspé Bonar	The Canada Council
Thea Borlase	Canada Council
Brian Boyd	Ontario Ministry of Citizenship and Culture
John Brotman	The Canada Council
Norman E. Brown	Rainbow Theatre
Judy Buehler	Kanata Arts Council
Nancy Burgoyne	Council for the Arts in Ottawa
Lucile Cousineau-Allard	The Canada Council
Simone Cox	The Canada Council

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Harry Hillman Chartrand  
Research Director, Canada Council  
**Chairman**

**PARTICIPANTS/LIST OF ATTENDERS  
(cont'd)**

<u>Name</u>	<u>Affiliation</u>
Mary Cromie	Statistics Canada
Carrol Anne Curry	The Canada Council
Hugh Davidson	The Canada Council
Carole Fischer	Department of Communications
Jacques Flamand	The Canada Council
Susan Freeman	Ontario Arts Council
Jean-Paul Gagnon	The Canada Council
Francine Gauthier	The Canada Council
K. Gilles	Artist/teacher
John Gordon	Statistics Canada
Robert de Grandpré	Department of Communications
Gail Graser	Treasury Board Secretariat
Richard Hopkinson	Institute of Donations and Public Affairs Research
Chris Johnson	Quinte Arts Council
Olga Jurgens	UNESCO
Bill Kearns	The Canada Council
Henriette Leblanc	The Canada Council
Marthe Lépine	Artist/consultant/translator
G.W. Lewis	National Museums of Canada
Nelson Lynch	Canadian Conference of the Arts

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Harry Hillman Chartrand  
Research Director, Canada Council  
**Chairman**

**PARTICIPANTS/LIST OF ATTENDERS  
(cont'd)**

<u>Name</u>	<u>Affiliation</u>
Mukhtar Malik	Department of Communications
Claire McCaughey	The Canada Council
Helen McDonald	Ekos Research Assoc.
Ginette Moreau	Officer of the Auditor General
Helen Murphy	The Canada Council
Pierre-François Ouellette	National Museums of Canada
Leona Quiring	The Canada Council
Jeanne-Marie Robillard	The Canada Council
Lyne Sarrazin	The Canada Council
Diane Schroeter	The Canada Council
Melanie Scott	The Canada Council
Monique Scott	The Canada Council
Peter Stephens	The Canada Council
Mary Sullivan	The Canada Council
Marie-Paul Thorn	A+ Communications Inc.
Fleur P. Tipton	Le Groupe de la Place Royale
Carole Villeneuve	Council for the Arts in Ottawa
Herb Westman	The Canada Council
Heather Young	Carleton University student

## BIOGRAPHICAL NOTES

### Harold Horowitz

Harold Horowitz was born in Chicago, Illinois. He received a B.A. (Architecture) from the Institute of Design of the Illinois Institute of Technology and an M.Arch. from the Massachusetts Institute of Technology. He is a registered architect in New Jersey and Maryland. He worked from 1955 to 1963 at the National Academy of Sciences — National Research Council, and from 1963 to 1975 at the National Science Foundation. Since 1975 he has been Research Director at the National Endowment for the Arts, in which capacity he has undertaken and supported numerous arts research studies, including "Surveying Your Arts Audience" — a "how-to" guide on audience surveys. He has studied painting, sculpture and photography with Laslo Moholy-Nagy, Alexander Archipenko and Gyorgy Kepes. He is also an art collector. Works from his collection have been exhibited at the National Gallery of Art and the National Museum of American Art in Washington.

### Ron Blackburn

Ron Blackburn received an RIA degree from McMaster University. Prior to 1965, when he joined the public service, he spent eighteen years in the private sector, specializing in cost accounting and financial management. He began his career in the federal public service with the Department of Defence Production (Supply and Services) as a Finance Officer with the Comptroller's Branch. He was subsequently appointed Financial Management Advisor to the Assistant Deputy Minister (Finance). In 1968, he went to the Department of Labour as Chief of the Financial Services Division. After two years he was promoted to the position of Director of Finance and Administration. In 1974 he accepted a two year assignment with the Ontario Arts Council under the Federal Government's Executive Interchange Program as Financial Management Advisor to the Executive Director, Lou Applebaum. In January 1979, he joined the National Arts Centre as Director of Finance. In April 1979 he was appointed Assistant Director General, Finance and Personnel.

**THE ARTS  
AUDIENCE DEVELOPMENT AND FINANCIAL MANAGEMENT**

An Arts Research Seminar featuring  
Harold Horowitz, Research Director  
National Endowment for the Arts, Washington  
and  
Ron Blackburn, Assistant Director General  
National Arts Centre

**AGENDA**

99 Metcalfe Street, Boardroom, Second Floor, Ottawa,  
Friday, June 6, 1986

**MORNING SESSION  
10:00 A.M. to 12:00 P.M.**

**Welcoming Comments**

Harry Hillman-Chartrand  
Research Director, Canada Council

Presentation No. 1: Harold Horowitz  
Research Director, National Endowment for the Arts

**SURVEYING YOUR ARTS AUDIENCE**

10:10 to 11:00 A.M.

**Questions & Observations**

11:10 A.M. to 12:00 P.M.

**LUNCH**

12:00 to 2:00 P.M.  
(not arranged)

**AFTERNOON SESSION**

**2:00 to 4:00 P.M.**

Presentation No. 2: Ron Blackburn  
Assistant Director General  
National Arts Centre, Ottawa

**FINANCIAL MANAGEMENT FOR CANADIAN THEATRE**

2:10 to 3:00 P.M.

**Questions & Observations**

3:10 to 4:00 P.M.

**Sponsored by  
Research & Evaluation  
Canada Council**



## **Introductory Remarks**

**Harry Hillman-Chartrand  
Research Director  
The Canada Council**

On behalf of the staff of the Research and Evaluation Section of the Canada Council, I would like to welcome you to the sixth in our series of Arts Research Seminars. It is with great pleasure that I welcome two very distinguished guests to address you today on two very important issues: Mr. Harold Horowitz, Research Director for the National Endowment for the Arts in the United States and Mr. Ron Blackburn, Assistant Director General of the National Arts Centre of Canada. Both these gentleman share something in common in the presentations that they will be making today. Specifically, both have worked together with the arts communities in their respective countries to produce volumes intended to be of use in the field. Unlike the other research seminars we have conducted in the past, which have dealt with research as an intellectual pursuit, today we are going to benefit from the experience of these two researchers who have tried to develop tools to be used in the field by arts administrators and arts organizations. Mr. Horowitz will be discussing the National Endowment report Surveying Your Arts Audience. The report which will be presented this afternoon by Mr. Blackburn is Financial Management for Canadian Theatres.

I would now like to introduce Mr. Harold Horowitz, Research Director for the National Endowment for the Arts. Mr. Horowitz has been responsible for a major arts research program in the United States for over ten years. He is truly one of the "fathers" of arts research on this continent.

## **SURVEYING YOUR ARTS AUDIENCE**

**by**

**Harold Horowitz**

**Research Director, National Endowment for the Arts**

Harold Horowitz was born in Chicago, Illinois. He received a B.A. (Architecture) from the Institute of Design of the Illinois Institute of Technology and an M.Arch. from the Massachusetts Institute of Technology. He is a registered architect in New Jersey and Maryland. He worked from 1955 to 1963 at the National Academy of Sciences -- National Research Council, and from 1963 to 1975 at the National Science Foundation. Since 1975 he has been Research Director at the National Endowment for the Arts, in which capacity he has undertaken and supported numerous arts research studies, including "Surveying Your Arts Audience" -- a "how-to" guide on audience surveys. He has studied painting, sculpture and photography with Laslo Moholy-Nagy, Alexander Archipenko and Gyorgy Kepes. He is also an art collector. Works from his collection have been exhibited at the National Gallery of Art and the National Museum of American Art in Washington.

It is really a great pleasure to be with you this morning. I have a puzzle to solve about the kind of presentation I should give because of the mixed roles that are represented in the room today. The focus of my talk is Surveying Your Arts Audience - a publication that saw the light of day this past December. You now have a copy in your hands to look at. This publication is designed to be used in the field by people who work in arts organizations or arts institutions, such as performing arts organizations or museums, and to be used without any additional assistance. It is a self-teacher, prepared in the style of a cookbook, with recipes about how to do various things. You simply follow the numbers, 1, 2, 3, 4, and you have a particular kind of sample. Theoretical considerations and mathematical formulae are totally absent from this presentation. There are of course limitations to that approach. There are many special cases that you are not prepared for in using a publication of this sort, and throughout the publication you will see advice telling you when and where you ought to get special professional help. That also is an objective of the publication - to give you that kind of advice. The audience here today includes some people who might actually use this publication and some people who are not likely to ever use the publication. I'd like to say a few things to people in each of these roles.

If I were talking to those people who are in an administrative or managerial role in a public agency and who are concerned about providing technical services, I would explain the history of the project, how we arrived at the publication and some of the lessons learned in going there. For example, I'd point out to you that when I came to the National Endowment for the Arts in 1975, the Performing Arts Programs at the Endowment were making grants for the conduct of audience studies to theatres, dance companies to symphony orchestras. The Program Directors in each of the Programs were, for various reasons, dissatisfied with their experience, and were at the point of deciding to terminate that kind of support. This in fact was done a number of years ago. Among the reasons that they decided against that kind of support was that the panels they used for the evaluation of the proposals were artistically oriented panels and the panel members didn't have the technical background to evaluate a proposal to conduct a survey. That represented a problem. Proposals had received support on the merit of the organization and its objectives; yet proposals themselves were unsatisfactory from a technical point of view and the surveys that resulted were unsatisfactory. These had slipped through the panels because the members were not prepared by their own backgrounds to understand the technical aspects of surveys. That had happened in each of the Programs one or more times and the Program Directors had become sensitive to that problem.

Another problem that concerned them was the absence of exchanges of information between organizations doing audience studies, and thus no building of experience. A further problem had to do with the lack of standardization between the various studies, so that there was no possibility of comparing the results from one organization to another. Now that's an interesting problem. Comparability was an issue to the Program Directors; it wasn't an issue to organizations that do an audience study on their own behalf for some specific policy purpose of their own. Organizations may have good reasons to design a project to serve their own purposes, which may not necessarily include making comparisons with anyone else. From the point of view of the Program staff, it was distressing that they could not compare the results of studies done by various organizations, and especially studies done under grants.

At any rate, at the time of my arrival on the scene, those running the Programs

had pretty much come to the view that they should stop supporting audience studies. We reached a decision on what might be done instead that would have some benefit for the performing arts fields, and perhaps provide almost as much benefit for the individual organizations as the supported audience studies. The project that we undertook was to collect audience studies and to do a critical and analytical review of them. We did that through a contracted project in which two hundred and seventy audience studies were brought together. They would easily cover this table with a stack several inches high. These represented all the completed audience studies from performing arts organizations and from museums that could be collected at that time.

In the collection process, it was learned that perhaps a like number of studies were under way or being contemplated, which confirmed the high level of interest that arts organizations have in doing surveys and other kinds of audience studies on their own behalf to advance their own programs. This collection of two hundred and seventy studies was then analyzed six different ways, and the result was a publication called Audience Studies of the Performing Arts and Museums: A Critical Review. Some of you may be familiar with it because it has received rather widespread distribution. It is an analysis of the shortcomings, failures, lessons, median results and so forth of those 270 studies. One of the interesting things that the administrators in my agency learned was that many audience studies were done without a clear purpose. They also learned that many audience studies seemed to have no use to the organizations once they were completed. That was an interesting finding, and we wondered what could be done to improve that condition. The investigators on the project did some exploration towards helping to explain this finding. Fifty of the audience studies were separated into a special follow-up study, which is also discussed in that Critical Review. Two interviews were done for each: one with the administrator of the organization that commissioned the study, and the second with the researcher who carried out the study. This was an attempt to understand what went wrong and what were the dynamics of the process. A frequent finding was that the administrators undertook the study or asked to have the study done because it was a target of opportunity. They didn't have a specific purpose in mind other than they thought it would be nice to know more about the audience and because the opportunity for a study was offered as a contribution, perhaps by a student on a class assignment or by an interested industrial or business concern in the community as an in-kind contribution. Why refuse a free study?

Another of the problems uncovered was that researchers often said that when they started a study, they weren't told what was expected in the way of output or how the study was going to be used. So they went about doing a study that they felt would be interesting and broadly useful, but didn't have any specific target in terms of kind of information or application. When you put that information together from both sides, it was pretty clear why we found many audience studies completed but not used for any particular purpose. Of course, there were some that were used; I'm not painting a totally black picture.

At any rate, our next undertaking after that was to do something that might help arts organizations focus audience studies and upgrade their quality. It was that exercise which eventually, through many stages, lead to the publication of Surveying Your Arts Audience. Working with contractors and advisory committees of people in arts organizations, we arrived at a draft of an instruction manual. It was written to be put into the hands of administrators of arts organizations so that they might use it themselves. On the one hand it should provide them with

guidance in working with contractors that might do audience studies for them. The manual explains what to expect, what makes a good study, what makes a bad study, what are the specifications of the study, and some of the jargon, so that the arts managers are not completely at the mercy of a university sociologist or a survey contractor undertaking a study. On the other hand, it might enable them to do a simple survey with their own staff. We produced a draft manual that was based on the judgment of people in my office, in the programs at the Endowment, the experience with the preceding work and the experience of the contractor and the advisory committee. We had a rather thick instruction book at that point.

The next step was to see how well it worked. Five organizations were found that indicated they were willing to use the manual to help in undertaking an audience study that they wished to do anyway, for some particular purpose of their own. The organizations that agreed to participate were the Bangor Symphony Orchestra, the Newark Museum in New Jersey, Karamu House in Cleveland, the Mississippi Art Museum in Jackson, and the Seattle Opera Company. They received the draft manual, and puzzled through it. The Endowment gave them some pocket money to cover some of the direct expenses of data processing, and so on. Our research contractor observed the process and made several visits to see how things were going, but not to tell people what to do. If a simple question were asked it was answered. But basically the organizations were on their own; they were trying to do what they could with the draft manual.

We learned quite a lot from that experience. We virtually scrapped the draft in producing the final version. Many sections that were in the draft were far too ambitious, confusing, not used, and not adequately explained. Some of our interesting ideas were not used by any of the five organizations and were dropped to make the final result a little bit more compact and less forbidding for people undertaking such an activity for the first time. For instance, the original had a software package which could take the data from a survey and generate tables in a neat, compact, simple presentable way so they could be taken right from the printout, put into a report, and be understood, for example, by a board of trustees. We thought that was a great idea, but not a single one of the five used that program. In every case, they turned the questionnaires over to some data processing organization. There is always a learning time to use a new piece of software. It was not worth it to the people who were doing the data processing, and they all fell back to using the table-generating programs they knew like SPSS. This works fine, except that it gives you so much information in the output, far beyond what is required for a presentation, that you are forced to select the data that you want for a presentation table and have it retyped.

Another important experience came from the grim lesson that two of the five organizations were unable to complete the survey that they started. One of the practical problems, especially if a person or a manual is standing behind you saying that your the response rate is too small (this problem did occur in many of the two hundred and seventy audience studies covered in the Critical Review) is that time and resources are a real concern. For this reason, the final version of the manual is laced with little lines of advice - allow six weeks for this; have your interviewers to be trained all selected at the time the forms come back from the printers so they can work with the real forms; the cost of doing this will be such and such. Such advice may alert a person who hasn't had practical experience to the necessity for estimating how many helpers need to be available and at what points in time in order to make it possible to complete the project.

Now we have this self-teacher, and I don't know why I should have to explain it; it's all here (holding up the publication). If I were talking to people in arts organizations, and doing what I think would be really nice - which would be to run a workshop of one or two weeks duration, which is totally impossible this morning - I would make use of this book, but I would make use of some other materials too. I would not completely avoid statistical concepts. We would spend a few hours going through some general statistical concepts that are useful in survey work, if only so that the vocabulary was clearly understood and there could be better communication between people in arts organizations who are interested in audience surveys and the people who might be commissioned to do them. While the manual does make some mention of being realistic about the information that is being sought in an audience survey, I think that that subject could be elaborated on substantially. I'd try to spend some time with ideas about the philosophy of knowledge or the philosophy of information. I'd talk about such things as qualities of information. Just as there are quality differences in the arts, there are quality differences in information. There are practical limits to the quality of information that is possible through a survey.

The manual does point out that you should be simple, direct, and focused on certain issues. Perhaps a little more theory in a philosophical sense, and possibly some considerations of alternatives to surveys that would go beyond what can possibly be done by a survey, could be discussed if we had a workshop situation with more time. For example, in writing survey questions, the quality of the information that you obtain when you ask people to respond to a prospective schedule of performances in the next season, is not nearly as good as information about experiences that they actually have. Even though you receive answers to your questions, you can only guess about whether the audience will attend or not, or how they may react to some future experience because they are guessing when they answer. Some awareness of these quality differences to survey information should be part of the experience of the person who writes a survey questionnaire.

What I would now like to do for the people in my audience this morning who might do a survey, is to show a few slides that have been prepared to answer questions that frequently come up during presentations about the manual. Some of these matters, like the wording of questions, don't seem to have much mystery. You can read some examples of problem questions and get the point rather quickly. I'm rarely asked for clarification of the suggestions about questions, but other matters do come up.

In the five test studies with the draft manual and in the Critical Review, these (listed on the next page) were the most frequent reasons for difficulty or failure. One of these reasons that I have already mentioned is that the survey objectives were not clearly defined. The people who were doing the study didn't really know what purpose they were serving, and in the end, no purpose was served other than to prepare a report of general interest.

Another reason I have alluded to in my comments about the quality of information is that the expectations of the survey were unrealistic. If you think about research in a general way, the place of survey research in the hierarchy of research methods is not at the point of ultimate quality. There are some very great limitations. Research that you do with survey instruments or observation doesn't have the same merit as experimental research or research where you control the conditions and you can study the effect of varying one of the variables on the behaviour of the whole system. But you don't have such opportunities with

## FREQUENT REASONS FOR FAILURE

1. SURVEY OBJECTIVES WERE NOT CLEARLY DEFINED
2. EXPECTATIONS WERE UNREALISTIC
3. QUESTIONNAIRES WERE TOO DIFFICULT TO FILL OUT
4. SAMPLING PLAN WAS NOT FOLLOWED COMPLETELY
5. TOO FEW COMPLETED QUESTIONNAIRES WERE COLLECTED

survey research in an audience setting. And if you ask questions beyond the knowledge of the people who are answering the questions, even if they accommodate you with responses, their answers have limited merit. Difficulty in completing the questionnaires, questions on personal matters, too many questions, questions that are difficult to read because the print is too small or the paper is a dark colour, not having a pencil - all these problems also contribute to failure and are practical examples of being unrealistic.

A very important problem contributing to failure is to start out with a perfectly good sampling plan, but then not follow it for some expeditious reason. A very frequent reason for failure and very much related to not having enough people available to do the study is being unable to collect sufficient questionnaires so that you have an adequate response rate. In the Critical Review of two hundred and seventy, we found one survey where the report was based on a response rate of 1%. What should have been done was to throw the survey in the trash bag, however, a report was prepared and submitted to a Board of Trustees. I think that the people involved were simply not aware of what a 1% response rate meant.

In the manual, the target that we recommend is a 60% response rate. A 50% response rate should be the threshold at which you consider throwing it away. That recommendation has distressed some people, and I received telephone calls from several who were about to present results from audience studies at the time they first received and read the manual. They said: "We have a 30% response rate and are very satisfied, and now you come along and tell us to throw it away; that's a terrible thing to do."

Perfection is almost unattainable. In the American Census of 1980, on which \$1 billion was spent, the response rate was 98.5%. If a second billion dollars had been spent, I doubt that the response rate would have been raised more than 0.5%. There is a point of substantially diminished returns in relation to the efforts that are made. For some of my office's larger and more elaborate surveys done by the Census Bureau, we can get a response rate of 89%, 90%, 91%. That's fantastic. I think Statistics Canada can do as well, but such response rates are really not attainable by an arts organization. If you get a response rate of 80%, you've done a terrific job. An arts organization has to work very hard with an audience to get a response rate of the target level (60%). It takes quite a lot of staffing and effort to do that well. The manual has some advice on how to go about it.

To summarize: for the administrator of the organization, or the board, there needs to be an understanding of what you are trying to learn. Beyond that, you need to know what results will make the difference in a decision because that will help you structure individual questions. If the threshold response (whatever it is, 40%, 50%, 60%, in terms of agreement or disagreement with the proposition) is what you need to know for the decision that you are trying to make, the questions and response categories have to be set up so you get information about that critical point that you are concerned about. Each of the major steps I've discussed is presented in the manual.

If you come into survey work from a background in sociology or economics or one of the fields of training where you go through a regular statistical program in university, you may have learned to understand the notion of sampling and some of the consequences of sampling theory. My own training was in the visual arts and architecture, and the way I began to make sense of these ideas was to think of the full audience or the full population, which a technician would call a census, as full



scale, a term that I used in architecture. Then I would think about sampling as scaling down to a half-scale, a quarter-scale, or an eighth-scale, which was a concept that made some sense to me in terms of my prior experience. However, statistical theory doesn't really fit that architectural notion, so I had to make some adjustments. There is an important principle in statistical theory that is hard to explain without mathematics, and I'm not going to explain it; you are going to have to take my word for it. The principle is that the size of the sample is more important than the relationship of that sample size to the number of persons who comprise the full audience. That seemed strange to me for a long time, and I still don't like it. But it's correct and it leads you to use very useful tools like the table on the following page. This table comes out of the manual and it makes use of that principle. You can use this table for several different things in preparing to do a survey.

One thing you can do with this table is to decide how large your sample should be. If you are dealing with an audience of 2,000 people, or perhaps you are thinking of your five performances of 2,000 each (a 10,000 person audience) then you undoubtedly want to sample that audience rather than try to get a questionnaire from each and every individual. How large should that sample be? That is a key question. Let me tell you how to read this table, so you will be able to find the answer to this question yourself. You will notice that on the left, there is a column that is called "sample size". Across the top there are columns headed with the legend "survey result". Those survey results indicate the percentages in the answers that you are getting. For example, if you were to ask people to indicate on a questionnaire whether they are male or female, and the result was divided equally in the questionnaires that you received, so that you would have an answer of 50%. The column which applies is on the far right. If on the other hand there were very few men in the audience, then it would possibly be the column on the left where the answers might be 99% women and 1% men.

For the purposes of selecting sample size, we recommend that you use the 50% column. In the jargon of the trade this is referred to as "the worst case column". What that means is that those numbers that you see over there on the right for each sample size are the largest numbers. Those numbers represent the (+/-) error that applies to the response from your sample as against working with the full population. In other words, if your sample size were 25, and your response was 50% yes and 50% no, then you have an error of + or - 20%. Remember that and you have a method for deciding what a sample size should be.

Let me give you an illustration. Suppose you've decided that you want to have a survey, based on a sample, in which the quality of the information in terms of the error was + or - 3%. What sample size would you select? You'd look at the column on the right, and come down to the error factor that you are willing to tolerate, in this case, closest to 3%, say 3.2%. That tells you that you want to have a sample of 1,000. Most audience surveys over the years have tended to use sample sizes of between 400 and 1,000. That means that these audience surveys tolerate errors of + or -5% to + or -3%. If for some reason your study demands higher precision, or if for some reason a (+/-) 3% error is too crude for your purposes, you are forced to use a larger sample size. You can find the sample size you need by looking down the table to the desired error factor and then read across to the sample size. Diminishing returns come into play because as you increase your precision, your sample size requirement is also increased. Working in your favour is the fact that many of your responses will not be 50%. Some responses will be 10% or 90%, and the error is much smaller. It's hard to understand what is going on here with the

Sample size  
and sample precision  
(plus/minus variance)

Sample size	Survey Result										
	1% or 99%	5% or 95%	10% or 90%	15% or 85%	20% or 80%	25% or 75%	30% or 70%	35% or 65%	40% or 60%	45% or 55%	50%
25	4.0	8.7	12.0	14.3	16.0	17.3	18.3	19.1	19.6	19.8	20.0
50	2.8	6.2	8.5	10.1	11.4	12.3	13.0	13.5	13.9	14.1	14.2
75	2.3	5.0	6.9	8.2	9.2	10.0	10.5	11.0	11.3	11.4	11.5
100	2.0	4.4	6.0	7.1	8.0	8.7	9.2	9.5	9.8	9.9	10.0
150	1.6	3.6	4.9	5.9	6.6	7.1	7.5	7.8	8.0	8.1	8.2
200	1.4	3.1	4.3	5.1	5.7	6.1	6.5	6.8	7.0	7.0	7.1
250	1.2	2.7	3.8	4.5	5.0	5.5	5.8	6.0	6.2	6.2	6.3
300	1.1	2.5	3.5	4.1	4.6	5.0	5.3	5.5	5.7	5.8	5.8
400	.99	2.2	3.0	3.6	4.0	4.3	4.6	4.8	4.9	5.0	5.0
500	.89	2.0	2.7	3.2	3.6	3.9	4.1	4.3	4.4	4.5	4.5
600	.81	1.8	2.5	2.9	3.3	3.6	3.8	3.9	4.0	4.1	4.1
800	.69	1.5	2.1	2.5	2.8	3.0	3.2	3.3	3.4	3.5	3.5
1,000	.63	1.4	1.9	2.3	2.6	2.8	2.9	3.1	3.1	3.2	3.2
2,000	.44	.96	1.3	1.6	1.8	1.9	2.0	2.1	2.2	2.2	2.2
3,000	.36	.79	1.1	1.3	1.5	1.6	1.7	1.7	1.8	1.8	1.8
4,000	.31	.69	.95	1.1	1.3	1.4	1.4	1.5	1.5	1.6	1.6
5,000	.28	.62	.85	1.0	1.1	1.2	1.3	1.4	1.4	1.4	1.4
10,000	.20	.44	.60	.71	.80	.87	.92	.95	.98	.99	1.0
50,000	.08	.17	.24	.29	.32	.35	.37	.38	.39	.40	.40

**Source**  
National Endowment for the Arts, Surveying Your Arts Audience,  
National Endowment for the Arts, Washington, D.C., 1985.

numbers. But in fact this is a good well proven table, and it will help you to good results if you work with it.

You can also use the table in the other direction. When you have your results, you can use it to indicate the sampling error. In addition, you can use the table to do things which are quite sophisticated, such as deciding when you won't discuss a result because it is within the +/- error and not statistically significant. For example, if you have an audience reporting to you that a discrimination between doing this or doing some other thing is a difference of say 2% or 3% and that difference is less than your +/- error, then statistically that difference is meaningless and you wouldn't report it as a difference at all.

There are many different kinds of samples. This manual contains recipes for only three types, and then it tantalizes you by mentioning others that might be useful, but you had better get help for those. It has specific recipes for drawing a simple random sample, a systematic sample, and a multi-stage sample, in the settings of a performing arts audience or a museum, where you might want to use those different sampling methods.

If you have a list of your audience, which might be a subscription list or a membership list, or a list of people who requested tickets, you're in different set of conditions, both with respect to sampling and also with respect to what you might be able to do to get an adequate response rate, compared with the situation you are in if you do not have a list. You can operate either way, but having a list makes a very big difference, because it enables you to do certain things that you cannot possibly do if you do not have a list. If you have a list, you can send the questionnaire out by mail. If you don't have a list, you can't do that. If you have a list, you can follow up. If you don't have a list, and you are administering questionnaires in the audience setting, and you don't get a targeted response rate, there is no tomorrow. You're finished. But if you have a list, you can follow up. Once, twice, three times, as much as necessary in order to get the response rate to the point where you must have it.

On the other hand, if you are doing an audience survey in an audience setting without a list, you don't know who is walking through the door, but you are distributing questionnaires on some basis which will likely be systematic sampling or multi-stage sampling. I won't go into the details of that now; it is explained in the manual. In those cases, you had better be equipped with sufficient staff and a procedure so that you get back sufficient questionnaires. It is not easy to do, it takes planning, it takes co-ordinating, it may take some training of the staff. It may take some gimmicks, like having very attractive young ladies in especially coloured costumes walking through the audience looking for special coloured forms, urging people to fill them out, making sure they have a pencil, giving them another pencil if necessary. You must get 60% back then and there. There is no tomorrow. If you don't, you have wasted all your effort up to that point. But if you do have a list, you have the other option. You have the option of surveying your audience not in the audience setting, but through mail or by telephone, and following up. This makes it a lot easier, or at least offers more possibility of getting a sufficient response rate.

If we had more time, I'd explain how to do simple random sampling and how to use a funny table like the one on the following page, called a "random number table". Random numbers are the printed equivalent of throwing dice. The manual explains how to use it. It is very simple. It is the strangest table you have ever

☒ Random numbers are like  
a lottery or throwing dice

599	691	074	879	203	217	732	785	958	715	740	196	216	02.
839	761	219	420	271	677	836	051	623	634	458	110	725	018
413	538	103	640	436	028	243	330	632	376	545	769	079	762
049	185	470	838	339	368	853	786	279	815	703	897	870	413
182	554	531	351	725	972	236	141	238	801	822	401	868	602
039	755	488	978	355	730	165	878	311	677	151	288	906	023
592	944	829	568	212	031	582	642	155	069	308	574	369	210
035	757	066	276	770	374	303	355	967	622	698	347	155	516
565	696	689	807	459	736	162	328	013	441	805	933	563	567
576	987	728	112	511	445	475	545	585	149	725	525	345	588
033	909	757	508	409	463	163	693	035	693	172	251	947	743
820	289	333	655	835	424	441	431	059	383	644	518	209	738
689	513	367	502	124	416	813	030	541	116	733	632	550	511
707	512	721	975	705	946	382	630	185	489	304	687	700	849
490	800	180	450	234	024	528	871	339	459	674	188	597	357
821	423	052	845	139	924	856	820	023	974	276	736	100	829
782	013	797	605	018	547	627	030	312	577	321	651	814	735
737	686	130	754	316	004	104	569	883	212	616	241	878	089
377	594	803	390	648	798	064	980	592	961	331	863	251	473
159	870	715	040	072	790	186	042	238	682	193	651	345	274
317	023	980	229	662	221	928	062	786	289	651	385	181	740
257	533	025	282	484	934	967	587	885	346	869	007	192	312
226	510	818	221	544	192	183	645	893	495	280	139	352	184
693	083	044	361	244	297	571	384	351	866	289	918	321	747
662	794	933	516	795	809	308	578	323	101	060	690	195	433
516	323	543	983	612	007	981	527	643	627	192	285	172	444
928	144	397	872	196	756	801	868	824	328	571	603	085	805
110	417	744	324	660	504	507	898	176	453	268	409	455	954
958	482	175	685	516	906	597	401	743	980	346	380	962	829
100	133	105	785	794	780	380	351	140	244	097	025	121	704
713	089	579	931	588	590	995	576	065	273	376	257	239	810
982	275	134	045	642	579	655	535	351	919	879	078	172	852
483	956	096	598	123	434	121	397	134	661	422	673	258	473
570	780	187	233	155	634	601	486	098	031	343	785	917	413
931	266	246	407	800	142	587	593	812	680	516	823	659	551
384	755	195	128	560	572	702	607	264	770	118	383	052	124
048	165	794	346	280	842	223	130	508	263	299	285	111	511
147	980	822	906	687	309	226	664	163	199	699	111	083	038
128	186	234	847	857	291	369	479	201	665	689	044	763	228
014	882	236	714	185	063	876	640	055	570	936	933	885	360
322	540	176	965	163	720	985	161	644	660	938	073	777	192
443	496	132	498	341	382	366	629	725	935	773	002	866	506
421	393	655	538	624	381	473	939	770	766	264	777	088	662
566	908	303	060	142	474	719	010	752	623	065	611	691	493
996	767	582	772	025	307	466	961	414	155	213	367	835	594
186	579	817	054	467	771	395	434	326	297	910	302	511	615
151	251	942	983	503	901	490	003	276	999	903	025	048	059
902	155	535	939	306	292	367	092	960	445	659	447	584	948
517	505	372	688	538	420	045	803	101	958	580	685	642	109
816	061	634	524	168	375	744	653	670	116	739	599	931	214

Source  
National Endowment for  
the Arts,  
Surveying Your Arts  
Audience,  
National Endowment for  
the Arts,  
Washington, D.C.,  
1985.

seen, because by design, there is no relationship between those numbers. The relation of numbers is pure chance, which is what you want. It's a device for making probability work for you.

I have mentioned response rate a number of times and I do run into confusion about response rate and sample size. They are totally different concepts. Response rate is useful as a measure of the representativeness of your sample. If you do the full census, of course you have no sampling problem. If you do a sample, you must ensure that you have representation of all of the differences in your audience. The reality of that depends upon getting a sufficient response rate. Another way of saying that is with the term "response bias". It translates into whether or not you can see the audience accurately in the questionnaires that are collected, and that's the whole point of getting the response rate up. Let me show you a few illustrations. (With apologies because they give people who are interested in statistical math the "willies", but they make sense to me with my visual arts background.)

I mentioned that in the Critical Review of two hundred and seventy audience studies, we found one survey that had a response rate of 1%. If you notice there is a frontispiece in this book which is a wonderful engraving by William Hogarth, and I have taken that engraving and scored it ten by ten, so that each square represents 1%. In the first illustration in front of you, I've allowed 1% of that Hogarth engraving to show through (Illustration 1). If you receive a response rate from your questionnaire of 1%, how clearly can you see the audience? How clearly would you interpret that engraving on the basis of a 1% response rate? Let's follow that up a bit. Using that random number table that I showed you, I allowed the laws of probability to select 10% of the squares; this is a representation of a 10% response rate (Illustration 2). Again, how clearly can you see the image of that engraving? Would you be willing to say anything about your audience on the basis of that kind of a response? If we improve that by 100% we would have a 20% response rate. Once again, are you willing to say anything about the image based on a 20% response rate (Illustration 3)? Here is the 30% response rate, which many commercial survey vendors will tell you is "very good and we get no complaints." (Illustration 4). But my advice to you is to find another vendor, because a 30% response rate is not satisfactory. The possibility of the audience response being biased is almost certain with a response rate that low, even if the sampling were done very well. I advise you to strike for a 60% response rate and train your staff to get it, though even that is far from perfection. That is all the image that you get with the 60% random uncovering of the engraving (Illustration 5). The fallback - the point to consider throwing it away and starting over - is 50%. Don't blame yourself if you don't get 100%. 100% only exists in heaven. (Illustration 6).

Let me say another word about response bias. Depending upon the wording of the questionnaire, and the organization, and the sensitive questions, there is a tendency for some kinds of people to answer, and some kinds of people not to answer. The big generalization which you will often hear, is that very low income people tend not to want to respond. Very high income people tend not to want to respond, particularly if you have an income question in your questionnaire. There is always the problem of introducing a respondent bias through some wording of your questions. That is one of the reasons you want the response rate up high. You want some certainty that you don't have a structural bias built into your response. Again, what you want is sufficient response from the whole image (like the Hogarth picture) so that you can really describe the whole image (audience) or the way whole image (audience) is responding to your question.

Illustration 1  
One Per Cent (1%) Response

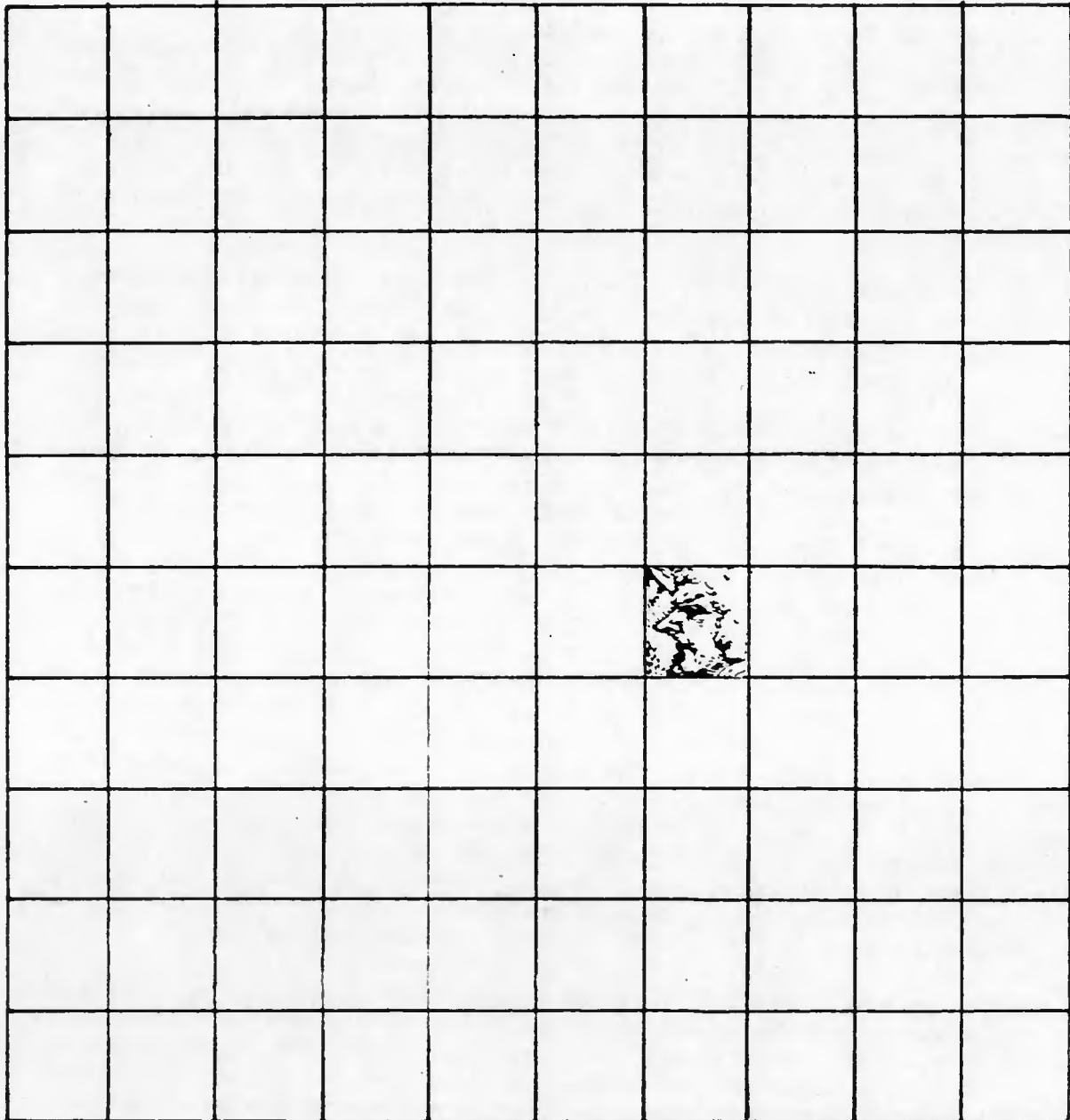


Illustration 2  
Ten Per Cent (10%) Response

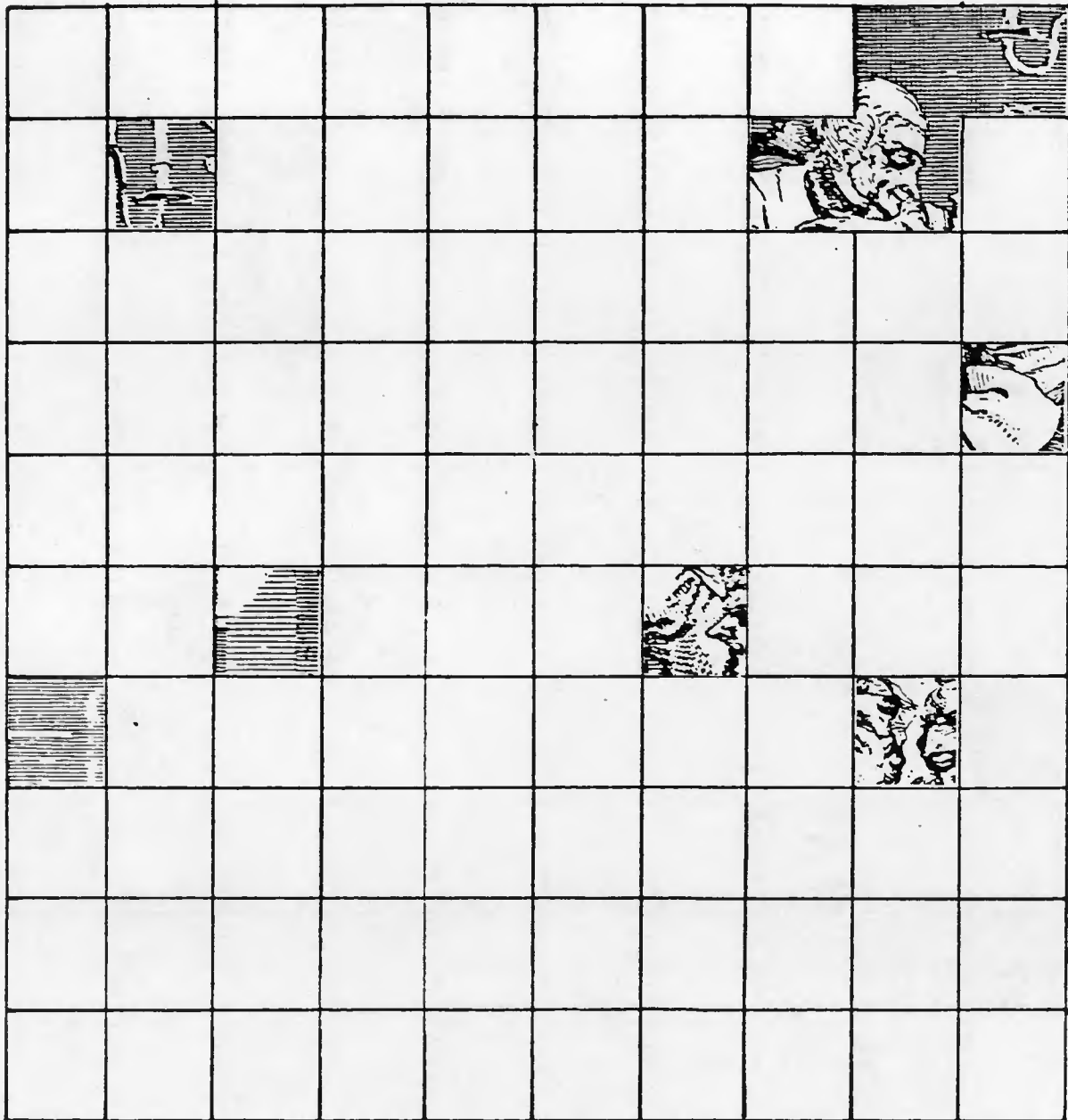


Illustration 3  
Twenty Per Cent (20%) Response

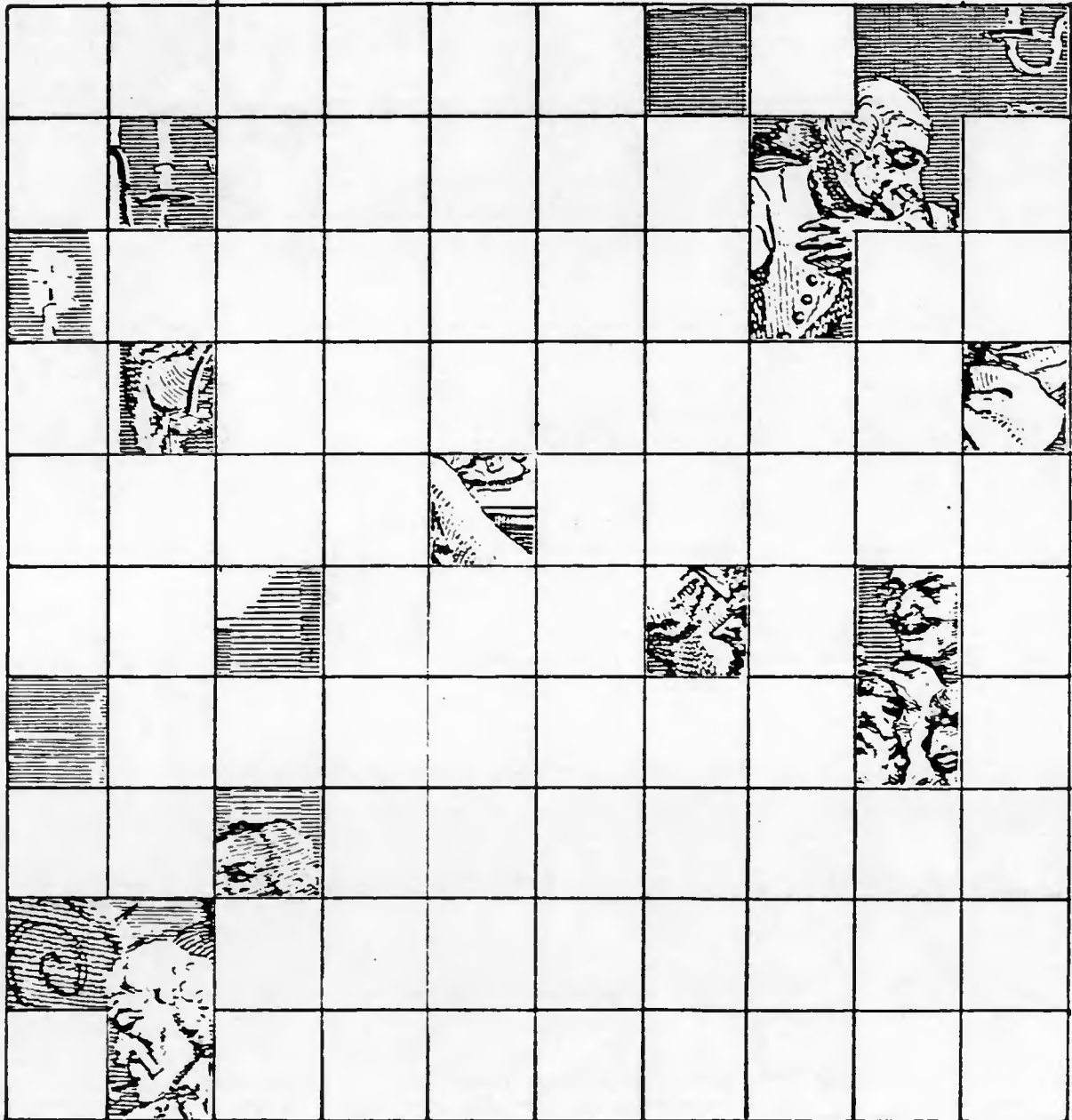




Illustration 4  
Thirty Per Cent (30%) Response

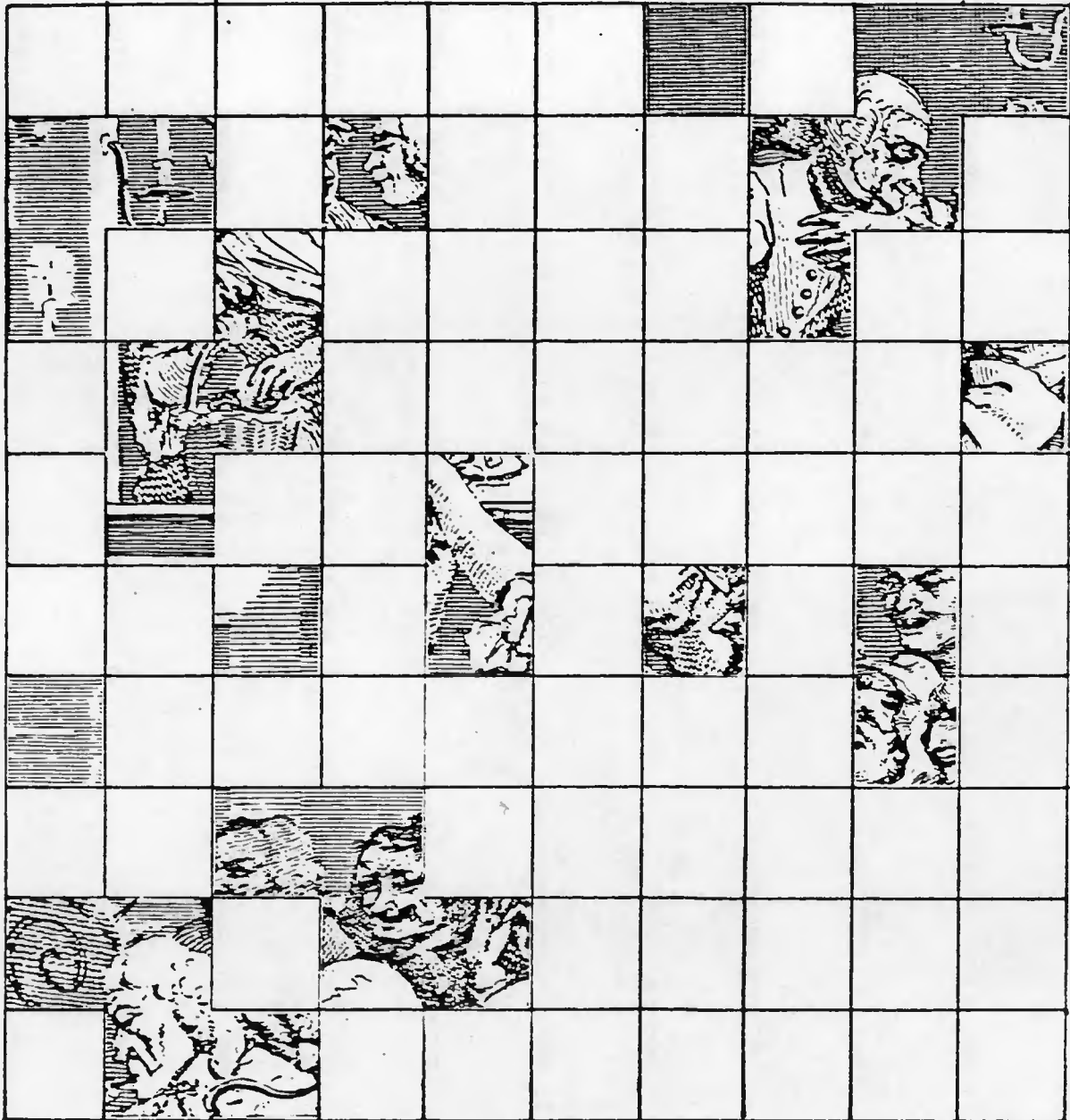


Illustration 5  
Sixty Per Cent (60%) Response

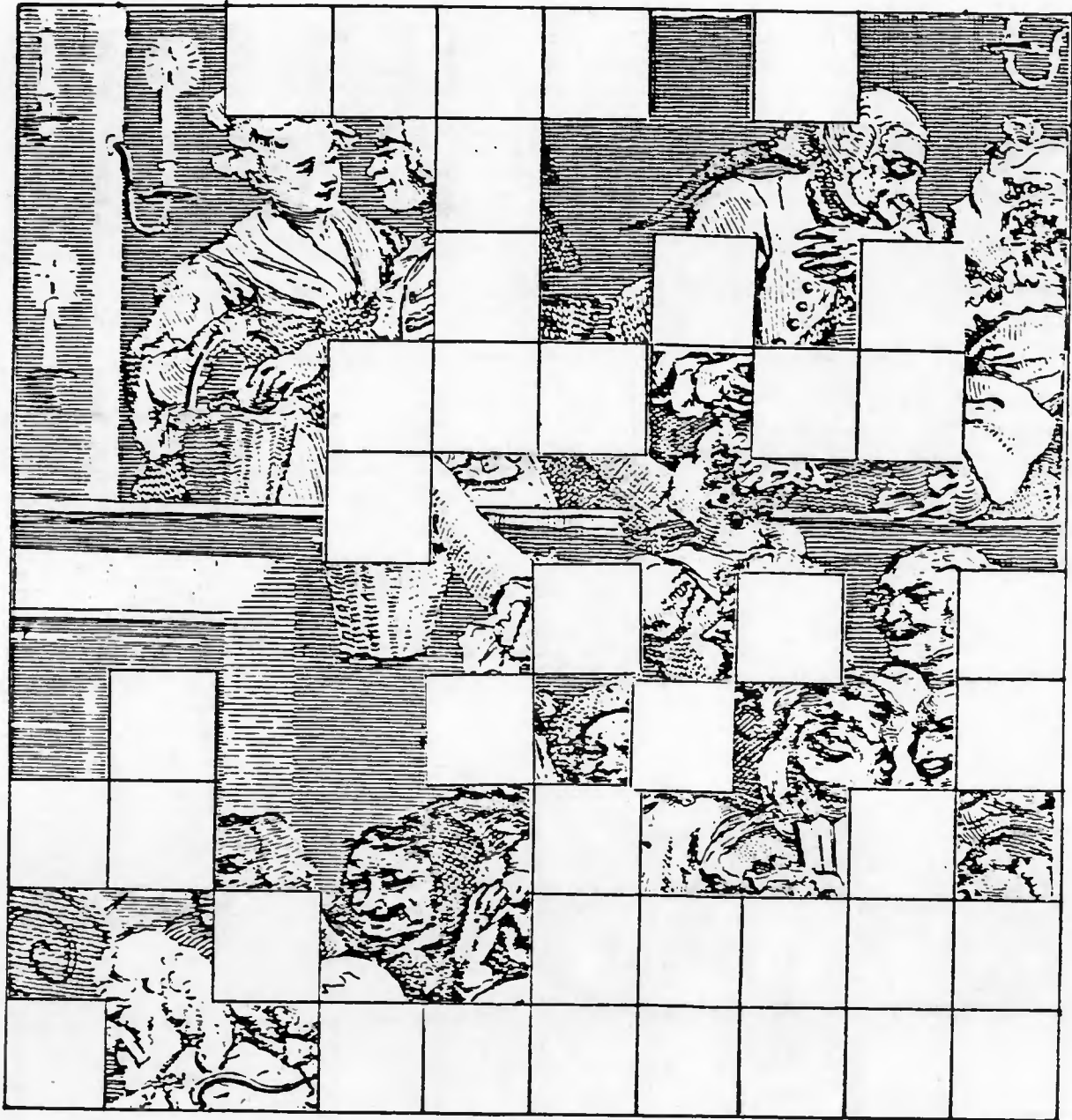


Illustration 6  
One Hundred Per Cent (100%) Response



### References

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Di Maggio, P., M. Useem and P. Brown, Audience Studies of the Performing Arts and Museums: A Critical Review, National Endowment for the Arts, Research Division Report 9, Washington, D.C., 1978.

**QUESTIONS AND OBSERVATIONS**

**Morning Session**

Gerry Lewis:

I would like to go back to the question of why audience surveys are done. Doing an audience survey seems to be reasonably palatable to the arts community; doing something with the results does not appear to be as palatable. The reason why is that the community is faced with the dilemma of the marketing philosophy conflicting with the curator's or the choreographer's mandate to communicate a particular perspective. In the case of a museum, a curator is hired by the institution to interpret a particular collection. Then, because of the nature of the museum, he extends his results through an exhibition and disseminates his knowledge to the public. An audience survey and the marketing philosophy in a strict business sense says: let's find out what the audience wants and serve its needs. The audience may have totally different interests from the curator, perhaps somewhat mundane in comparison with the knowledge that the curator has or perhaps rather obtuse. Nevertheless, the marketing philosophy says that you should respond to the audience's interests. In my view, you have to strike a balance between your responsibilities as given through your mandate, and the responsibility to respond to the audience's needs. Did you confront that issue in your research with the initial five surveys you mentioned?

Harold Horowitz:

I'd like to take advantage of the fact that you're bringing museums into the conversation. A museum can use audience surveys for many purposes. It can use them, for example, to find out and report to its funders or its municipal political organization, what kind of people are attending. It can use the results to indicate how many of the people attending are local residents, and how many are from out-of-region. The latter, of course, have far more economic impact on the local community than the former. Other kinds of questions a survey might address would have to do with those exhibits which get attention from visitors, and those which do not, as well as something of the nature of the attention that various exhibits get. Such questions might help a curator to decide how many or which objects should be on public view and which objects should be available for scholars to look at but not necessarily on public view. They could, for example, show you rather clearly which exhibits, which works of art are examined by 60%, 70%, or 80% of the visitors, and which are examined by only a tiny percentage of the visitors. A survey might also help you decide whether your toilet facilities are an embarrassment; or whether your parking facilities are adequate; whether you did a good thing by expanding the space available for museum sales. You could look at the before and after situations, and then make an evaluation of the change.

There are things you can do in a museum setting that are really not possible at the moment in a performing arts setting. For example, in the museum setting, direct observation is a very useful technique for studying visitors: many things can be learned through a structured program of direct observation and recording by a skilled observer. This has actually been done in museum settings, for various purposes, and the manual discusses a few examples. If you are not asking questions as in a survey, there are certain kinds of information that you will not get. However, you will be able to obtain indications of whether devices to encourage participation of visitors in the exhibition are used, whether the instructions are adequate, what kinds of people use exhibits,

and whether they use them for the purposes that the curators had in mind. Direct observation could also be beneficial in performing arts audience research, but, as far as I know, there is only anecdotal information about people like impresarios and managers going to the back of the audience and making quick observations as to how the audience is responding. I think that there could be some behavioural research done in the performing arts, but it probably requires a period of experimental work first, at least to develop some literature on the subject. Literature on the subject of direct observation of museum visitors already exists.

Richard Hopkinson:

Your graphics are very interesting indeed, Mr. Horowitz. It seems to me that as regards response bias, the matter of quality comes in. In your Hogarthian illustration, the interest surely is in people, not in walls, and if you have a response that can selectively block out your walls, your 60% factor with more people and fewer walls is going to be much more interesting. If you are looking at audience sampling from a financial viewpoint, what about weighting the responses in such a way that even though you may only get a 30% response, that 30% is qualitatively higher because the response is skewed or is obtained from a higher-paying ticket group?

Harold Horowitz:

I am not sure what you have behind your question, but you are introducing the subject of stratified sampling. In the manual, we say that this can be very useful in audience research, but an organization had better get help to do it. For example, it would be very useful to use a stratified sample if an administrator of a theatre were thinking of raising ticket prices, and wanted to know what the impact of that would be on attendance, and did not discriminate in distributing the questionnaires or in dealing with the response between the different price ranges that currently exist in the theatre.

It is quite possible that the respondents (the people of the higher income groups who are likely to be in the more expensive seats) would indicate, as they have in many other studies, that small increases in ticket prices would probably hardly affect their attendance pattern at all. If the administrator were concerned about the people seated in the last two rows of the second balcony, and wanted also to have their views, then a stratified sampling plan could be helpful, because you would get a statistically adequate response from the people sitting in each of the price bracket seat groups. In the case of the lowest price ticket seat groups, which in most theatres in North America are the least number of seats, that might mean that you would be sampling virtually everyone in those seats. If 200 seats are involved and you get a 60% response rate, that would only represent 120 answers. Then you would have to look at the table in the manual and see what that tells you about the error factor on that sample size. For each one of the different seat brackets, you want to get an appropriate sampling ratio, so that you could then compare the responses from each of the seat price brackets against one another rather than assembling the whole audience into one aggregate. A stratified plan would be necessary to do that.

It is rather more complicated to administer a stratified sampling plan in a live audience setting than the other sampling plans that are described. You would need a much stronger response from groups of seats at a lower ticket price, if the number of seats was small, to compare them with the response that you could get from the orchestra, which might be the higher-priced ticket seats. The design of the sampling plan, of course, is related to the objectives of the survey and when the objectives are clearly understood both by the people who are ordering the survey to be done, and by the people who are doing it, then a choice can be made of the method that has the best chance of succeeding and providing the information that is needed.

Richard Hopkinson:

I have a question that is of more academic interest to me than perhaps other people in the audience who are faced with the problem of the financial viability of performing arts groups. Is the formula in the book?

Harold Horowitz:

No. The book simply mentions a stratified sampling approach, gives an illustration of how it might be used, and suggests that an expert be consulted if this approach is thought to be valuable. The book is limited to recipes which we think arts administrators could carry off on their own without extensive training or background. Stratified sampling is beyond that. There are other limitations to the book. For example, in the original draft, there was a series of questions that might be useful in determining the audience response to a performance in terms of its quality. There was also some attempt to provide instructions on how to use a semantic differential scale, but that is one of the casualties of the original draft because it is rather complicated. Perhaps we need a volume 2, or an advanced Surveying Your Arts Audience. If more people asked the kind of questions that you asked, then I would be convinced that we do need one.

David Anido:

Most theatres in this country, with certain notable exceptions, are small businesses. If they are not small businesses, they are running tight-and-close-to-the-wind in terms of budgets. You made it clear that a survey response rate has to be 60% or better, and any kind of survey is going to require staff and involve cost. One of the things that one sees happening is that more of the budgets of theatres is being allocated to management rather than program. This brings up the problem of how much a theatre should spend on necessary research, and how much it should spend on the aesthetics of its operation. Everything you've said points towards the achievement of excellence in terms of results. You also said that it was vital that a person stand in the lobby counting out-of-town licence plates in the parking lot, and so on. There is a large element of intuition. There is also a larger element of probability with the random numbers. If I inferred correctly from one of your graphs, you enhanced your 10% "trash figure" enormously by simply using the random number chart. You were able to take an almost useless survey and turn it into something a little bit more important. In other words, maybe a 60% response



rate together with the use of the random number chart could become 75%. Did I misunderstand that? In terms of the quality of the information, how far should the manager of a theatre go in committing funds to audience surveys when the intuition of the staff is already in place and the experience of the theatre is already recorded in annual reports to boards of directors and trustees?

Harold Horowitz:

That is a very legitimate question. My answer is simple, and it focuses on two points that I have made before. One is to have a very good reason for doing the study. The other is to have sufficient staff and resources to do it. To do it just for the fun of doing it is crazy, and to do a half-baked job without enough people to collect the necessary number of questionnaires is lunacy. Why would any manager want to do such a thing, if he were sensitive to the problems? Perhaps some large part of that two hundred and seventy studies that we reviewed shouldn't have been done in the first place. Certainly the one I mentioned that produced the response rate of 1% should never have been done. Hopefully, the manual would simply caution people about getting in over their heads.

Harry Chartrand:

Your publication has now been out since December, 1985. It has reached the artistic community in the United States. What sort of response has it received from arts organizations, and has it actually been used since publication?

Harold Horowitz:

Some people are working with it now. We are getting comments that are a mixture of delight and agony. It has served to be an embarrassment to some organizations who were at the point of making a presentation to their boards, only to discover that they didn't meet the criteria shown in the book. I think this is a transitional stage, and perhaps in a few years that sort of thing will be behind us. What I would also really like to see is a critical review project, such as the one done in the late 70's, repeated every decade or so. That would provide a means to measure change and quality of audience studies overall, as well as being a very useful way of exchanging information as to what individual audience studies in various organizations are turning up. I would recommend that to Harry Chartrand for his organization.

Harry Chartrand:

I hope Claire McCaughey is listening.

Heather Young:

I hope this isn't an unfair question, but I would be really interested to hear of any great success stories of people who used the manual and then were able to

use the results to develop their audience or to change their organization in some way.

Harold Horowitz:

In one of the case studies (the Seattle Opera), they were looking at whether they should continue both series that they were offering - one being the original language of the opera series, and the other an English language series. They wanted to see what motivated people to attend the English language series because they were considering dropping that. They found that the principal motivation for the people selecting that series as against what they thought of as the main series (the operas in the original language), was a very small difference in ticket prices. The language itself was not a critical factor in the decision, and that piece of information contributed to the decision to abandon the English language series, to lengthen the regular series, and to slightly expand the range of ticket prices through a variety of techniques. They saved a great deal of money in not offering the second series. They couldn't use all the same artists to sing the roles in the two languages, and it was simply a very costly activity for them to run the two parallel series.

Marthe Lépine:

I am an artist as well as a consultant. You have talked about the reasons why an organization would want to do a survey. In some cases, you have to bring arguments to a city council on the utility of a visual arts centre or a school of art, and try to convince the city administrators that this is just as useful as some other services that may seem to them socially more acceptable. In cases like that, any kind of figure may make an impression that other arguments won't.

Harold Horowitz:

In practice, over the past years, that has been absolutely correct, but one of the reasons for our being assembled this morning is the hope that we are moving in the direction of a more rational world. You wouldn't want to present information that is potentially biased and that wouldn't impress the people that you are giving it to. Some terrible studies have achieved remarkably good results in advocacy work in the past and even today, but I don't think any of us is proud of that.

David Anido:

I have to raise a possible danger in all of this. I have just read an excellent article in the recent Harper's called "The Ethics of Metaphor". The article dealt with the whole business of a world based on metaphoric and more abstract ethics than rational impositions. Boards of trustees are not in general metaphoric people, neither are city councils. How do you get across to these people aspects such as artistic integrity, freedom of thought and creation, and academic freedom. With respect to the performing arts, how are you able to persuade that there is a *raison d'être* for artistic achievement over and beyond

figures? I am not in any way decrying the language of mathematics, because I believe very firmly that it is the language that makes the universe more comprehensible, but I see a danger that these studies may become weapons. They may even become cloaks to cover a change of artistic decision in order to please the financial managers of the city, or the theatre, or the boards. Am I barking up the wrong tree?

Harold Horowitz:

No, you are not barking up the wrong tree. There are some things that audience surveys are good for, and there are many other things that they are not good for. You have just mentioned one of them.

Brian Boyd:

I would like to ask a question about the non-audience. As an administrator in a government department that funds all kinds of cultural agencies and organizations, I have become very concerned about the people that we are not reaching, and the need to increase audiences. To what extent do you feel you can take the results of surveys of audiences that do attend or do become involved in museums and performing arts, and relate them to the non-audience? Can you draw any conclusions about the people who don't attend?

Harold Horowitz:

The things that I talked about this morning are not really at all helpful in studying the non-attender. I know that some people have attempted to look at the demographics of their audience, relate that to the demographics of their communities in some way, and to draw some conclusion. But that doesn't really explain why it is that people with similar demographics fall into attender and non-attender groups. I think that a whole different approach and different set of research tricks are necessary to look at the non-attender. These studies involve not the audience as your universe to be sampled, but the whole population. We at the NEA do such work; the name of our program in that area is the Survey of Public Participation in the Arts. We sample the entire adult population including attenders and non-attenders, and then make comparisons on a common base. I believe such work has also been done in Canada by Statistics Canada. Audience surveys are really not useful for understanding the non-attender: People who attempt to make some use of them for those purposes are in very dangerous waters.

Brian Boyd:

Do you see a need for more general attitudinal survey work?

Harold Horowitz:

I see a need for more general population studies of participation in arts and cultural activities because if there is any desire to extend or broaden or

diversify the audience, that means reaching the non-attender. Studying attenders is not going to give you the insights to make it possible to do that.

Brian Boyd:

What about the relationship of that whole area to the broad issue of leisure?

Harold Horowitz:

The mystery of why a university graduate with a certain income living in House A attends opera, and his neighbour in House B with the same demographic background hates it, can't be answered through an audience study of opera attenders. It has to be looked at in terms of the complete leisure lifestyle of the occupants of Houses A and Houses B. Through that, you can begin to get some understanding of what the differences and similarities are and what the potential is for development of the occupant of House B as an opera attender. There may be no potential, but the audience study in the opera house will not give you that information because Occupant B is not there to be studied.

Harry Chartrand:

In the United Kingdom, the Arts Council of Great Britain is now starting to undertake what is called "qualitative audience research", which is basically interview samples with attenders. Has there been any such research at the National Endowment or in the U.S.? Certainly in Canada, to the best of my knowledge, this even more refined type of direct interview has not been conducted.

Harold Horowitz:

Interviewing is a very useful technique and perhaps in my remarks earlier this morning I was over-simplifying. The manual discusses the use of written questionnaires, the telephone, and the direct personal interview as methods of collecting information. They are different methods, and have different potentials. Information can be obtained in a personal interview that is not likely to be obtained on a written questionnaire, and vice versa. Again, in deciding what it is that you wish to study, with some experience you can choose the right method.

Claire McCaughey:

Once an organization has taken this how-to manual, has done its survey, has all the nice results and has a beautiful report written up, where does it go from there? Would you like to do something like a marketing follow-up to this manual that will help organizations to use their results to go further in terms of audience development?

Harold Horowitz:

The chapter that I didn't get into at all had to do with that subject. It is treated gently, but it comes right back to the purpose for the survey. If the purpose is marketing and audience development, you're doing one kind of a survey with one set of survey questions. If the purpose is improving your facilities, you are doing another kind of questionnaire. Deciding what purpose you have in collecting the information, what problem you are trying to solve, what need you're addressing is a first question, and everything else follows from that. You wouldn't decide that after having completed the survey.

Judy Buehler:

I would like to make a comment concerning the people who are interested in pressing their local mayors and aldermen. About a month ago, the Kanata Arts Council hosted a seminar for "Strategies for Success", and Claire McCaughey made a wonderful presentation on the financial aspects of the arts and the impact that the arts have on a community. There are people at the Canada Council that will give you formulae to work out the impact of the arts on your own community. You could take these numbers to your "non-metaphorical" aldermen and mayors and show them the hard dollars and cents and what kind of impact the visual arts or the performing arts has on your community.

Harold Horowitz:

A fine statement. Latent in the concern for upgrading the quality of audience studies is the fear that there is some person serving the aldermen, perhaps in the department of planning or perhaps in some other office in the city government, who has had a course in statistics, and that you might suddenly find yourself forced to answer a question about the quality of the information that you are presenting. That's a terrible situation to be in because it opens up your whole credibility as an individual and the presentation that you are making. To protect against that, you have to have a good study in the technical sense, which will hold up under critical examination in the unlikely case of that happening. It can happen and it has happened. There is also the very important challenge that that raises for the integrity of the individual making the presentation in the organization. It's one of those cases where, based on past experience up to the present time, the risk of being challenged may be small, but the loss to be encountered if you are challenged is enormous. It's a decision that every arts administrator has to make for himself. Is he willing to take the risk, to assume that his arguments are not going to be examined critically? I suppose there is also an intermediate position. If you know the jargon and the messages, maybe you can do a better job of winging it and faking your way through than if you're suddenly openmouthed because someone asked you about the response rate and you just didn't know what to say. At the very least you should know that a 10% response rate is not acceptable. There might be some benefit to having information about what is good and what is bad in terms of the quality of information, even if the information you are presenting is not of the best quality, so that you are prepared to cope with a challenge. I don't recommend that as the real motivation, but in a practical sense it's very useful to have that kind of background.

Nancy Burgoyne:

I'd like to get back to the two hundred and seventy studies that you were talking about at the beginning of your presentation. How many of them, I wonder, included open-ended questions as opposed to fixed response, and have you got any comments about which are more effective in an actual survey? We've done open-ended response questionnaires, and obviously these provide more philosophical responses. Can you comment on the difference between the two?

Harold Horowitz:

This is a point that the manual does deal with. It explains the difference between the two types, gives examples of both, and gives some advice about when you'd want to use one or the other. Does everyone know the difference? In a fixed response question, you're offering, along with the question, a limited choice of answer possibilities which might be "yes" or "no", or might be certain brackets of household income, or might be certain other facts. Essentially, you're showing what the answer choices are. These are the kinds of questions that you love to have in a quiz at school, because it's easier to guess the answer, and you have some probability of guessing right. The open-ended question is one where you don't get choices of answers, but you have to put something down yourself. That's very useful for a lot of purposes. You can get a wider variety of responses that way. Perhaps you can get insights or suggestions that you might not have thought of if you were writing a set of fixed responses.

However, there are also certain consequences of setting up questions in an open-ended way. One is that the answers have to be coded before you can do something with them. That means, someone has to take the time and trouble to read all the answers and then decide what kind of a category they should be put into. Those categories have to be determined in advance. If there are several people doing that, the categorization scheme has to be worked out in such a way that each individual will categorize the same way, so that you don't introduce biases simply because you have two or more people doing the coding. Then, when you've done your coding, you can process the count of responses in each category in much the same way you would a fixed response question. You can perhaps get more insight from an open-ended question than you can from a fixed response question, but there are price, time and error penalties associated with that that have to be dealt with. All these points are mentioned in the manual.

Ginette Moreau:

I would like to have your views on the following. What do you think about giving a questionnaire to the whole audience and letting them decide if they want to complete it, as opposed to choosing one person in ten, for example?

Harold Horowitz:

You're calling for a census rather than a sample. The census is always better than a sample because there is less chance of a response bias that might come

about through the sampling plan not being carried out perfectly. But you must remember that if you are doing a census, response rate is as important as it is with a sample. The response rate question remains important, whether you are doing census or sample. If you are doing a census, if everyone in the audience has a form, and you only get 50% back, you cannot be confident that you can apply the results to the full audience: this is the point where you should consider throwing the questionnaire away and starting over. That response rate notion applies whether you do a census or a sample. From a statistical and operational point of view, it's a very practical kind of decision that has to be made. When you sample, you know what the error will be for various sample sizes, if you can decide what sampling error you are willing to tolerate. You can reduce the number of questionnaires that you are administering and put more effort into getting them back.

I have another way of illustrating that with numbers. One example would be the census, where you have an audience of 5 performances with 2,000 people at each performance, (i.e. 10,000 people), and you put a questionnaire on every seat. You've put out 10,000 questionnaires in all. You have boxes at the exits, and 1,000 questionnaires are returned. The other example would be sampling, where you give a questionnaire to every fifth person (i.e., 2,000 questionnaires). You make announcements during the intermission, you have nice people going through the aisles collecting the forms on bright coloured paper, and you collect back 75% (1,500 questionnaires). You see at once that you have a much better survey with sampling, because you applied your effort to getting a better response rate on a smaller number of questionnaires than you did by putting out a larger number of questionnaires, and letting nature take its course. The only purpose in sampling is to use your resources more effectively. In a perfect world you would always do a census. You would always have every person answer your questions and have the opportunity for participating in the information collection process.

Ginette Moreau:

Is there a danger to working with a list?

Harold Horowitz:

No. It's an advantage because you can follow up; if you don't have a list that possibility is lost. If you work with a list, you send questionnaires by mail and have a code number somewhere on the questionnaire which lets you identify each questionnaire with the person on the list who is selected for your sample. After a period of time if the questionnaire does not come back, you can call the individual on the telephone, and impress upon him the importance of including his answers in your survey. You can send him another form, and encourage him to give you a response, and in that way, build your response through a series of follow-ups. If you have no list you must get the response rate that you require on the first shot, and that requires the necessary staffing and effort to accomplish. There is also another very important advantage to having a list - you may not need to administer questionnaires in the auditorium; you could do it by mail or by telephone, or by arranging to have interviewers visit the home. You have many options if you have a list that you do not have without a list.

David Anido:

I notice in an example in the manual a very interesting inclusion in the Mississippi Museum of Art survey that specifically asks about the cultural background and hence race, of members of the audience - Asian, Pacific Islander, Black, Hispanic, and so on. Did any of the results coming from questions like this in any of your two hundred odd surveys show that there was a distinct variance among different cultural backgrounds? Was that an interesting finding or was it a "ho-hum" finding?

Harold Horowitz:

I honestly can't tell you what use the people at the Mississippi Museum of Art made of the information, so I have to dodge your question. If you look at the review report of two hundred and seventy audience surveys, there is a summary of the kinds of responses that were obtained to questions like that. Of course the results are not surprising: white is the dominant racial group; higher education levels are dominant. By and large, the audience studies that were looked at would show that the audience was upscale in many dimensions. One thing that you must remember, of course, is that the earlier study was a study of audience studies and not of the public in terms of its participation. There are many audience types, many art media types that were not included in this study because no audience studies had been done or found. I remember having some telephone calls from the association that serves the black theatre community in the States complaining that they had large audiences, but because they had no audience studies they weren't represented in that report. They thought it was an awful study because someone who didn't look at it carefully and realize that studies of audiences and not audiences themselves were being studied, might get the wrong impression. The survey of Public Participation in the Arts that we've done, which is a general population study, does show demographic differences for different attendance groups at different art forms. By and large, the most important predictor is level of education. That is far more important than race, or household income, or occupation.

Gerry Lewis:

I have an observation about your response rate example. In our experience, we often wonder whether the 1,000 responses that you might get back out of 10,000 are made up of either the "super-keen" supporters, the "super-negative nabobs of negativism", or the "super-bizarre".

Harold Horowitz:

I think you've put your finger on it, but the real answer is that you don't know. If you have a response rate of 10%, you have to assume that there is an important respondent bias, but you don't know what it is because you haven't heard from the other 90%. How can you say anything about them?

Gerry Lewis:

When you're looking at the demographics and you're asking demographic



questions, do you subscribe to the idea that those kinds of questions should be at the end of your questionnaire so that more personal questions are dealt with once you have the respondent on board?

Harold Horowitz:

That's an interesting subject for discussion at greater length. I think that a very important criterion in designing a questionnaire is to keep it short. The shorter the questionnaire is, the better the response rate is going to be. You don't want to include a single question on the form for which you don't have some purpose, and that includes the demographic questions as well. If you're going to ask sensitive demographic questions, like "What is your household income?", a lot of people aren't going to be happy about that. If you put that question first, it may of itself contribute to the questionnaire being laid aside and not being filled out. If you have a good reason for asking that question, perhaps you should put it at the end so that you won't forfeit all the questions because of that one. That sensitive question shouldn't be there if you don't have a use for it. One of the best pieces of advice the questionnaire writer can get is to keep the questionnaire as short as it can possibly be kept and resist all urging to add just one more question.

Nancy Burgoyne:

I have a quick comment about an effective method used for eliciting questionnaire response. A month ago at a dance performance at the National Arts Centre a very short questionnaire about the dance season - which you liked the least and which you liked the most in the dance series - was included in the program. The perk for answering it was a draw for tickets to the Kirov Ballet. The box for the questionnaires was just packed. I've suggested this approach to theatres, because it is tiny bit of audience development. Also, a parallel gallery recently sent me my membership renewal with my membership card, and two complimentary tickets to attend any one of their evening programs. I really recommend that because getting them in the door is what it's all about.

Harold Horowitz:

That's being very creative. Sometimes these devices work wonderfully well, like the ones that you've mentioned, but sometimes they don't. Some things are attractive and some things aren't. If you are thinking in that direction, one of the steps that's mentioned in the manual is the pre-testing of the questionnaire. The notion of using a gift as an inducement to completing the questionnaire is something that is worth testing because sometimes it works well, and sometimes it doesn't work at all.

Harry Chartrand:

I would like to thank Mr. Horowitz very much for what I consider to be one of the most creative and intelligible presentations of sampling theory that I've ever seen. By the way, we would love to have a copy of anybody's audience survey to have on file in the Canada Council research library.

## Afternoon Session

### Introductory Remarks by Harry Hillman-Chartrand

This afternoon we are moving to what I would consider to be the second stage of this morning's discussion. First, you have to have an audience. Second, you have to be able to have the financial management system to handle the ticket revenue, to handle the surveys, to pay for the surveys, to keep the organization that is conducting such surveys in place. This afternoon, Mr. Ron Blackburn, the Assistant Director General for the National Arts Centre of Canada is going to present a review of the major study conducted here in Canada entitled Financial Management for Canadian Theatre. This was a joint project between the National Arts Centre through Mr. Blackburn's office, Statistics Canada to a degree, and in addition, the Society of Management Accountants of Ontario, who compiled their expertise and consulted with the people in the field, the theatre companies themselves to try and come up with a pattern for the proper financial management of theatre companies in this country.

## **Financial Management for Canadian Theatres**

by

Ron Blackburn  
Assistant Director General, National Arts Centre, Ottawa

Ron Blackburn received an RIA degree from McMaster University. Prior to 1965, when he joined the public service, he spent eighteen years in the private sector, specializing in cost accounting and financial management. He began his career in the federal public service with the Department of Defence Production (Supply and Services) as a Finance Officer with the Comptroller's Branch. He was subsequently appointed Financial Management Advisor to the Assistant Deputy Minister (Finance). In 1968, he went to the Department of Labour as Chief of the Financial Services Division. After two years he was promoted to the position of Director of Finance and Administration. In 1974, he accepted a two year assignment with the Ontario Arts Council under the Federal Government's Executive Interchange Program as Financial Management Advisor to the Executive Director, Lou Applebaum. In January 1979, he joined the National Arts Centre as Director of Finance. In April 1979, he was appointed Assistant Director General, Finance and Personnel.

From my experience in financial management at the Ontario Arts Council and the National Arts Centre, it became very clear that one of the problems that theatre administrators had in readily accepting the concept of financial management was understanding what had been written on the subject. What was needed, in my view, was a manual to explain and present the financial management process in a way that theatre administrators could understand. In 1983, I took on the task of developing a set of financial management guidelines. In this, I was assisted by several accountants from the Society of Management Accountants as well as a number of theatre administrators from across the country. The result of a year and a half's work was the publication of a manual entitled Financial Management for Canadian Theatres.

The objective in developing these guidelines was to bring together points of view of financial management from the worlds of professional accounting and theatre administration. The guidelines were put in language that would be readily understandable and easy to adopt by theatres that were operating across the country. We recognized that the guidelines could not be a panacea, and that, in a lot of ways, they reflected our own biases. We did not see the manual as a final step; we saw it only as the beginning of a longer term discussion on ways and means of presenting the financial management process to theatre managers so that they could understand it, work with it, and apply it as their circumstances dictated.

The purpose of my presentation today is to review the principles and application of the financial management process to a theatre organization. I will be closely following many of the points made in the manual.

### A Financial Management System

An effective financial management system will be dependent upon clearly articulated artistic and financial goals supported by a realistic program planning and budgetary process. The artistic and financial outcome of "the season" will be to a significant degree determined by the amount of advance time devoted to developing "the season" and to the degree of effective assessment and use of both the artistic and financial resources available to the theatre organization.

The approach that we used in the manual was to develop and present a statement of accepted "first principles" of financial management. (You might want to call these "motherhood statements".) We moved from there to superimpose on these principles various models from a theatre organization that we felt were applicable. To begin with, we identified four critical elements in the financial management process:

advance planning compatible with the business cycle of the theatre;

linkages between goals and activities of the theatre as well as artistic programming and supporting functions;

a standard chart of accounts reflecting the theatre's functions and its management structure;

and a consistent functional and managerial reporting format to be used throughout the program planning, budgeting, accounting and reporting phases.

Planning is fundamental to the successful management of an organization, and a professional theatre organization is no exception. Planning is a process that continues throughout the life of the organization. Effective planning requires recognition of environmental, policy, economic and social changes so that plans can be adapted accordingly. The planning process provides direction and relates to longer term objectives, thus providing a basis for the long-term continuity of the theatre.

The planning cycle facilitates a logical and timely sequence of events and decisions for the organization. Such a cycle is linked to and dependent upon the normal course of the organization's events.

What is important in the planning process is the examination of major issues, and plans and decisions relating to those issues. In general, the planning process involves answering a series of questions that descend from a very broad and general perspective to a more narrow and specific focus. A successful planning process also involves linking longer-term goals to short-range objectives, and linking up program requirements to supporting requirements in the organization.

The final element in the planning process is budgeting. A very basic proposition can be made: budgeting is the financial expression of the program operating plan developed as a direct consequence of programming decisions. The budget is a control mechanism; and the budget process is a dynamic one, with economic and other considerations demanding changes from time to time as required.

### Planning in the Theatre Environment

A theatre organization is similar in character to other organizations in that it can realize benefits through a well-structured and well-executed planning effort. However, there are operational environment characteristics that are unique to a theatre which must be recognized in a successful planning process. Because of the artistic focus of theatre, the primary emphasis is placed upon measuring success in artistic rather than financial terms. In addition, the personal goals of the artists tend generally to transcend the goals of the theatre itself. From an operational viewpoint, a theatre is highly labour intensive and has a transient labour force, many members of which work under fixed-term contracts. This means a limited personal long-term commitment to the theatre organization.

The theatre's capacity to earn revenues is determined by the size of the building in which it operates. The potential for wide fluctuations between planned and actual financial performance gives rise to an important emphasis on planning for unforeseen events (and options available to respond to those events), i.e. contingency planning. A high level of activity and expenditure occur at certain times during the year which permit very short time frames for assessing alternatives and making decisions.

From the financial perspective, theatres are heavily dependent upon grants and contributions from external sources. Since there are rarely long-term guarantees from these sources, most theatre organizations operate with a high degree of uncertainty over the extent of major portions of their revenues and a lack of medium-term and long-term financing.

The organizational framework of the theatre is characterized by volunteer Board members serving two or three-year terms. Internally, theatres tend to follow one of two organizational models: the artistic director as senior managing officer, or an artistic director and senior administrator jointly responsible to the Board.

In the relationship between the theatre and the community it serves, theatres need to strike a balance between the community's values and the creative, artistic milieu. Once established, it is not easy to change the community's image of the theatre. Therefore, theatres generally strive to find a particular niche or value segment in the community.

More than with any other organization, the theatre's facilities tend to be the most critical requirement or "touchstone" of the theatre's operations. A wide diversity of facilities exist, ranging from rentals to long-term leases to owned premises.

The development of an effective theatre plan starts with a recognition of the common and essential functional components in a plan and adapts them to the specific features of the individual theatre. Six basic planning components within a theatre organization are: artistic programming, marketing, administration, fundraising, operation of the facility and fixed assets. Each of these six functional planning components raises a series of short-term objectives. Exhibit 1 on the next page shows a series of short-term objectives for a hypothetical operational plan.

### Budgeting

The budget is the financial expression of the program operating plan. It is developed as a direct consequence of medium-term and short-term program planning decisions. The budget answers the subsidiary question "What resources will we require to undertake those tasks and how do they need to be allocated?". Once approved, the budget serves as a control mechanism allowing management to compare actual revenues and expenditures against the budget on a weekly or monthly basis, as deemed appropriate.

As shown in Exhibit 1, there are six basic functions (policy planning components) which are developed and flow through the basic planning stages: artistic programming, marketing, administration, fundraising, operation of the facility and fixed assets. The financial plan is the expression of these six major components in financial terms. Since financial planning is directly related to the development of the operational plan for the year, the cycle for the development of the financial plan follows the identical process. The only major difference in approach is that financial planning decisions are contingent upon decisions made in the operational program areas. The process of developing the operational and financial plans is frequently iterative, since the financial health and capabilities of the theatre organization determine, in part, the scope of the operational plan.

**Exhibit 1**  
**Typical Short-term Objectives in Operational Planning**

Artistic Programming

- To commission at least one new play a year
- To present at least one commissioned play this year
- To have 80% of last year's artists willing to return in the new season

Marketing

- To operate at 80% capacity overall
- To increase mid-week attendance by 5%
- To draw 15% of audience from outside the city
- To increase school age attendance by 10%
- To increase revenues by 15%
- To increase first-time attenders by 5%
- To increase subscription sales by 10%
- To attain 60% renewal on last year's subscriptions

Administration

- To complete computer feasibility studies
- To hold overhead costs to 15% of expenditure budget

Fundraising

- To increase level of donations by a minimum of 15%
- To raise \$250,000 in the fiscal year
- To increase the number of individual donors by 10%
- To increase the number of corporate donors by 5%
- To create an endowment fund
- To reach \$1.2 million level in construction account
- To increase private sector fundraising to 50% of the gross expenditure budget

Fixed Assets

- To finalize asset replacement program
- To purchase 'state of the art' lighting and sound facilities

Operation of the Facility

- To achieve 10% reduction in heating costs
- To repair carpets in foyer
- To finalize repairs on roof of building

Other Elements

- To maintain Board membership turnover at 25%
- To maintain theatre staff turnover at 10%
- To make grant applications 90 days before deadline
- To produce annual report 60 days after year end

**Source**

The Society of Management Accountants, Professional Association  
of Canadian Theatres, Financial Management for Canadian Theatres,  
R.D. Blackburn, Project Chairman, 1984

The approved budget represents the best forecast from a financial perspective, but it is unlikely that all aspects of the budget will be realized without modification. Many things are beyond the power of the organization to control; unforeseen emergencies could arise which could increase expenses, i.e., production costs. Knowing this, management could plan for these uncertainties by examining the amount of risk the organization can safely live with. For example, if revenue drops off by 10% or 20%, or if costs increase by 10% or 20%, can the organization adapt? What precautionary steps could be developed in the event of an unexpected financial problem? The development of contingency plans can assist management in developing an operational plan that contains a degree of financial risk that the organization can afford.

It may be the case that, at the time the season is ready to begin, economic and other considerations demand changes to the budgeting levels approved prior to the start of the season. A review should be undertaken to consider the impact on the original budget of such considerations and, if necessary, the budget should be updated rather than proceed on the original premise, which could be misleading and generate misunderstanding.

### Accounting

Accounting involves the systematic recording of and reporting upon the financial transactions and facts of the theatre organization, for the use of Boards, management, investors, and creditors. A theatre is like any other organization in that it must utilize generally accepted accounting principles and practices in its accounting system. Responsibility for the accounting function must rest with a competent accountant.

The essential control points in a theatre's accounting system include delegation of financial authority, separation of handling/custody from recording, proper documentation and reconciliation, and cash control.

Accounting is the discipline that records, preserves, presents and interprets, in accordance with generally accepted accounting principles, the financial transactions of the organization. The presentation of financial information involves the preparation of reports to show the results of operations and the financial condition of the organization. The interpretation of financial results involves the explanation, analysis and utilization of the information presented in the reports.

In order to execute this function correctly, accounting must be done in a form consistent with the functions, categories of expenditure and centres of managerial responsibility as structured in the organization's operational and financial plan.

The accounting process serves the interests of a number of key individuals and/or organizations requiring disclosure of financial transactions. The Board of Directors is charged with the legal responsibility for the financial status of the theatre. Therefore, it must monitor the financial condition of the organization. Management has the operational responsibility for the theatre. Through the accounting process, past and present financial results are revealed and the results of operations in relation to planned objectives disclosed. Accounting also generates data which management can utilize to anticipate the future and make corrections to the current situation in light of that anticipation. Creditors are



another group that require accounting information in order to assess the financial viability of the organization when it seeks credit.

### The Theatre's Accounting System

Professional theatre organizations, like any commercial enterprise, must purchase materials and services and earn revenues to pay for these purchases. Like all organizations, the theatre must follow generally accepted accounting principles and practices in its financial management process. Because of the legal and operational requirements, the organization, maintenance and staffing of the accounting function should be delegated to an individual competent in the accounting field.

The adoption of accrual accounting ensures the recording of revenues and expenses in the period in which they are considered to have been earned or incurred, regardless of whether or not the transactions have been finally settled. Commitment accounting procedures should be applied to self-contained projects such as artistic productions, capital projects, etc., as required. Commitment accounting involves the recording of obligations to make future payments at the time that the obligations are 'committed', such as when purchase order or contracts for goods or services are issued, rather than at the time when services are rendered or invoices received.

The accounting process and the reporting of financial facts should be based on the main functions carried on by the theatre and with the managerial framework adopted by the organization. Financial information should be presented within a time frame that is compatible with the monitoring and forecasting requirements of the various levels of management. The presentation of financial statements, particularly in the annual report, should include a balance sheet, operating statement, changes in financial position and a statement of retained earnings. Expenses and revenues related to fund-raising activities should be separated from operating expenses and revenues in the operating statement(s).

Expenses and revenues are controlled, recorded and presented within functional or project categories wherever these resources can be directly identified with these categories. Box office revenues and incremental production expenses fall into the same categories.

For each artistic production or project-type activity, the incremental expenses and direct revenues should be recorded in a "work-in-progress" account until completed. For example, all incremental expenses and direct revenues associated with a particular play or production should be charged to a work-in-progress (balance sheet) account until the play completes its run. At that point, the expense and revenue results (including accruals) would be charged to operations.

If there is any area that caused greater discussion in the accounting side of this manual, it was direct expenses and revenues charged to individual productions. We developed a model of a theatre with a seasonal company in place. It was decided through the chart of accounts, within the framework of the six basic functions, that we would charge the variable expenses and revenues to the productions in which they could be readily identified. The seasonal company was looked upon as part of the overhead of the organization. There are going to be many opinions on that. However, the primary purpose of producing that model was to make an

important point about the control of those costs.

An accounting system functions best when there are a number of control points which ensure separation of functions, proper assignment of responsibilities, and recording of essential data. Financial authority should be delegated to the appropriate persons. This includes the separation of the duties of handling and custody of revenues from the duties of recording or bookkeeping. Effective financial control mechanisms must be in place for the box office. In addition, control of cash, control of payroll and control of inventory are key points in the accounting system. Finally, adequate recording and safekeeping of fixed assets should be established to ensure proper accounting for the capital investment.

### Internal Reporting of Financial Results

The information arising out of the accounting system should focus upon expenses and revenues by function for each responsibility area and by object of expenditure/revenue. It is the only means by which the internal reporting system can satisfy the information needs of management at all levels within the organization, including the Board of Directors, senior management and the line managers who are responsible for the theatre's operations. The frequency and degree of detail of the internal reports varies with the size and complexity of the theatre organization. Further, the type and frequency of information updating varies with the user.

An aspect which is not in the manual, but which needs more discussion and development is the use of performance measures in a theatre organization. I have to start by telling you that at the National Arts Centre, we have been working on the development of performance measures. To date we have dealt with those relating to advertising, and the cost of that advertising in bringing in patrons to the Centre. That has taken us some three to four years and we are now going to try to move into the area of production costs and production activity to which we can apply performance measures. The whole process is slow - we have to be very, very careful about the figures that we come out with for any one season because no two seasons are alike. We have a lot of problems, and it's a lot of work, but I think in the end, the development of performing measures, particularly as they apply to the development of strategic multi-year operational plans, is going to be very important. I would look forward perhaps this year or next year to bringing together again a group of people to look at this area.

### External Reporting

The purpose of external reporting is to provide funding organizations, individuals, financial institutions and the general public with a viewpoint on and explanation of the activities of the theatre. Generally, this type of external reporting occurs on an annual basis with sixty days after the fiscal year-end. A typical annual report of operating results includes:

an operating statement which reports expenses and revenues by policy planning components, comparing current year with the previous year's results;

a balance sheet;

a statement of changes in financial position which shows the transactions from which the net change in working capital arose;

a statement of retained earnings which reports the excess of operating expenses over operating revenues before fundraising revenues/expenses.

### Evaluation

Evaluation is a very important component of the management of a theatre. The purpose of the Annual Report is to provide an accounting and evaluation of the theatre's performance over the past year and relate this to proposals for the future. Since the Annual Report is the most important public document issued by the theatre, it should be a testimony to the artistic and cultural contribution of the theatre to its community as well as a report card on its business situation and future opportunities.

The Annual Report is useful to explain to patrons and supporters how the theatre's resources have been utilized in support of theatre objectives and to promote the theatre to possible new supporters. It also explains to government and private sector granting organizations the mission, objectives and accomplishments of the theatre. This can be useful to establish the groundwork for subsequent fund-raising opportunities. In addition, the Annual Report confirms publicly the financial health of the organization, as affirmed by an independent third party (the auditors).

In order to achieve these aims, the Annual Report should be congratulatory with respect to artistic successes, frank in disclosing set-backs encountered, informative on future prospects for the theatre, and sufficiently detailed in financial reports to indicate the financial health of the theatre.

A typical theatre's Annual Report might contain the following sections or types of information:

a report from the Chairman of the Board on the theatre's accomplishments to date, operational trends, and objectives for subsequent years;

a review of the productions of the past year, highlighting artistic achievements;

a report on theatre attendance complete with some historical data (e.g. five-year trends) that indicate progress towards the theatre's objectives;

a report on fund-raising activities describing the sources and uses of funds, the amounts received and possible targets for the subsequent year;

a report on major and interesting administrative activities and changes, including personnel appointments that would be noticed by theatre patrons;

an update on the theatre's facilities including renovations and improvements undertaken and planned for the future.

Every Annual Report should also contain the audited financial statements for the theatre. The financial statement should include the balance sheet, income statement, changes in financial position statement, and other such notes and reports as the Board deems necessary to identify the financial situation of the organization.

### Financial Management Responsibilities

Since the financial structure and management of the theatre acts in direct support of its artistic goals, financial management should be of utmost importance to the Artistic Director as well as the financial manager.

Once the Board has identified the structure of responsibility within the theatre, one of its primary duties is to hire the senior staff required for it and, with senior staff guidance and assistance, set appropriate artistic and administrative policies. In delegating authority, the Board should keep in mind that the level of delegated authority should be consistent with budgetary responsibility. In accomplishing these tasks, the Board should organize at least two principal committees: an audit committee and a financial committee.

The role of the audit committee is:

- to represent the Board in its dealings and responsibilities with the theatre's auditors;
- to be the focal point for communications between the auditors and management in respect to matters relating to accounting, reporting and control;
- to review the auditor's management letter and such other advice as the auditor may present to the Board;
- to establish the scope of the work of the auditors.

The role of the finance committee is:

- to review the planning results of management;
- to review and recommend budget proposals;
- to monitor financial results at critical points in the theatre's season;
- to review and recommend major undertakings with significant financial impact on the organization.

Where a theatre is of sufficient size to afford a financial manager, his role is to oversee the daily operations of the organization. If there is no individual specifically identified as the financial manager (such as in a small theatre), the senior administrator or artistic director performs these functions.

The financial manager performs a service function by processing the accounting of the theatre; a support function by providing analysis and planning information to the theatre; and a control function by ensuring adequate internal controls are in

place within the theatre. It is not possible to enjoy sound financial management and practices within a theatre unless the service, support and control functions have been clearly identified.

There is a continuing and direct inter-relationship between the artistic direction of the theatre and its financial management. This necessitates a continuing dialogue and understanding between the senior staff responsible for both areas, usually the artistic director and the senior administrator. The interaction between the two areas of responsibility occurs with respect to financial policies, organization and systems, financial planning, the recording of transactions, financial reporting, and financial analysis and control.

### Cash Management

Cash management is critical to the financial health of all organizations. In addition to the need to account for all revenues, effective cash management has a number of important benefits both within the organization and between the organization and its external creditors. Internally, cash management enables management to determine how much cash is available now and in the future to meet the expenditure requirements of the theatre. Cash management can act as a source of revenue for the theatre in that surplus cash (funds that will not be required to pay invoices for a period of time) can be invested to generate investment income.

Externally, cash management generates confidence with the theatre's banking/financial institutions and granting organizations. These external groups can deal more easily with the theatre if the latter is aware of its cash requirements, when cash loans might be required, and how they are to be repaid.

There are several characteristics of cash flow in a theatre environment that are not common to other organizations. Generally, there is a high outflow of cash prior to "opening night" to cover pre-production and production costs (e.g. sets, costumes, etc.). Alternatively, subscription sales can generate significant cash flow well before the "opening night" of the season. To manage cash flow effectively, cash forecasts need to be undertaken on a regular basis. Depending upon the requirements of the theatre, the interval between cash flow forecasts can be annually, monthly, weekly or daily.

There are a number of factors that must be considered in selecting the appropriate time period for cash forecasts. The first is the ability to predict accurately cash flow. Is the theatre in a position to reasonably estimate its revenues and expenditures in a given month or a particular week?

The renewal cycle of outstanding lines of credit with financial institutions will also influence the time period. If the bank manager reviews the line of credit on a weekly basis or a monthly basis, the theatre should also generate cash forecasts based upon a similar schedule.

The implementation of an accurate cash flow system is a trial and error process. It requires time to build a history of experience and records that can assist in improving the accuracy of future forecasts. There are three elements required to institute an effective cash flow system: the determination of an appropriate time frame; a simple reporting/recording format; and accurate

information.

There are four basic principles that guide effective cash control: all receipts must be accounted for; cash receipts must be deposited daily; all disbursements must be made for valid purposes; and cash balances must be adequately protected.

In addition to these basic principles, there are a number of important factors that increase the effectiveness of cash control, and enable the theatre to utilize its cash assets more efficiently:

For maximum use of cash, funds should be deposited into a single chequing account. Excess funds should be deposited to interest-bearing accounts or invested where the funds can generate additional revenues.

A key to effective cash control is the separation of the responsibilities for cash handling and cash accounting. The persons performing the cashiering and cash-related functions in the theatre should not be the same people performing the accounting and recording functions for those cash transactions.

Cheque-signing authority should be limited to as few responsible individuals as possible while still allowing for an efficient flow of work.

A review of cash funds should be conducted periodically to ensure that all cash items are properly accounted for.

In addition, the accounting records of the theatre should be reconciled to all accounts on a monthly basis.

### The Box Office

Box office cash activities are critical to the cash management of any theatre. It is through the box office that a major portion of the theatre's revenues are derived. The complexity of box office activities poses a significant accounting and control problem. One of the major aspects of box office control is control over tickets. A theatre may present a single production with a number of performances over a period of time or schedule a large variety of productions.

In the case of many different productions, ticket sales for a particular day may relate to a number of different productions or plays. For this reason, it is often difficult for management and personnel responsible for the box office operation to determine and verify daily sales, inventories of unsold tickets and sales by performance.

Daily control should be maintained over box office revenues. This daily control involves daily reconciliation of cashiers' receipts and ticket inventories for each cashier. In addition, there should be a reconciliation of daily receipts to bank deposits. A daily reconciliation of the number of tickets sold by the box office though persons other than the cashiers should also take place.

Effective control over box office cash activities requires some daily stringent guidelines. Each person selling tickets in the box office should operate with a separate change fund for which he or she alone is responsible. Periodically (daily,

weekly, or monthly, depending upon the need), there should be a box office reconciliation of cash on hand and unsold tickets.

All cash received should be deposited daily. Copies of all bank deposit slips stamped as received by the bank should be returned directly to the appropriate financial personnel who are not, themselves, performing box office activities.

### **Reference**

The Society of Management Accountants and the Professional Association of Canadian Theatres,. Financial Management for Canadian Theatres, Ron Blackburn, Project Chairman, 1984.

**QUESTIONS AND OBSERVATIONS**

**Afternoon Session**



Harry Chartrand:

From my perspective, the presentation this afternoon has indicated the incredible complexity of planning requirements in the arts today. I have to say that "commitment accounting", for example, is a level of reporting with which I am not familiar. Perhaps some of our questioners will raise that issue.

Chris Johnson:

I am involved in the establishment of a brand new summer theatre company in Belleville and a couple of questions have been asked of me concerning this area. The first is: what is the relationship between a treasurer on the board of directors, and the administrator who takes care of the financial management of the group? And the second is: what do you feel that relationship should be?

Ron Blackburn:

I have visited one organization where a board member was the treasurer of the organization and sat on the board. He actually had the responsibility for the financial organization and reporting of that theatre. There was, however, one flaw in that arrangement. When I talked to the accountant, she told me that they changed treasurers every three years because that was the term of the appointment. They got into trouble because one treasurer who was a board member decided that he was in favour of a full overhead allocation system. They spent two years designing that system, and just when they had it running reasonably well, the next treasurer came up with exactly the opposite system, a direct costing arrangement.

Chris Johnson:

I'm looking for solutions to that problem exactly. As different treasurers come in, there is upheaval in an organization. I feel that there should be some kind of system that the treasurer adopts once he is asked on the board. He should have input into improvement of the system, but should be guided by the basic overall principle so that the system is not changed every three years.

Ron Blackburn:

Perhaps one of the ways to do that is to have a board member as head of the finance committee of the board. From that position he can influence, but certainly not dictate, without the rest of the board going along with those changes. Any changes that he would want to make would be subject to board review.

Nancy Burgoyne:

I'm interested in multi-year operational plans and their origins. I'm familiar with them from the Civil Service, but I'm wondering how many non-profit groups are actively using a MYOP system. Are you aware of whether any

theatres such as the Shaw Festival or Stratford or other non-profit groups have adopted that kind of system?

Ron Blackburn:

I'm not sure whether Shaw and Stratford are using a Multi-Year Operational Plan or not. I would think that they probably have a three year financial plan laid out for themselves, particularly if they are in a very bad working capital deficiency position. I would think that a lot of larger theatre organizations that are sending productions into the National Arts Centre and elsewhere, need to have some kind of slotting arrangement for their productions. The fact that they have to fill those voids demands a planning program beyond the current or next season.

Heather Young:

I'm interested in the dependency of theatre companies on outside funding. How do you see that affecting their financial planning process? When they start planning at the beginning of one season for the next season, I understand that they can get a fairly good sense of what their government grants will be, but that fundraising can be a bit of a wild card. Is that the sort of thing that would have a large affect on financial planning, or can it be controlled?

Ron Blackburn:

Controlled? I think that what that lends itself to is flexible budgeting. You are looking at a -10/+10 situation, given fundraising and given audience levels of participation - an ideal situation for a flexible budget. The development of flexible forecasting provides an excellent vehicle for going to the banks and lending institutions because they get a better feeling that the organization is really doing a lot of thinking and not simply looking at an optimum situation.

Harry Chartrand:

You've described production accounting problems and forecasting of what you're likely to get at your box office. On the other side, you've got the question of public sector and private sector grants. In the theatre sector and the performing arts generally, organizations are in an incredible "double whammy" position with respect to the revenue side because they are basically risk-taking. One should not judge companies on the current season, but rather look at the long term. Yet the companies seem to be very exposed in a financial sense to both the reception that the box office audience is going to give the season and to that long term planning question with respect to both private and public sector support. Did you, and did your colleagues in the preparation of your manual, feel that some statement to government and private sector donors for long term support was essential for the long term viability of this sector?

Ron Blackburn:

They were hoping that statements such as the ones that are being made here would influence granting organizations in the public and private sector to look at the needs and the requirements of running theatre organizations from a very sound management base. I've seen a situation where a theatre could only get a grant from its community at the end of its season. What is the rationale behind that? If the manual did nothing else but influence organizations to look at the longer term, to examine the cyclical needs for the theatre as to what it can receive and what it can generate in terms of operating revenues, and to look at the total picture of where it's trying to go and what its financial limitations are, then I think we will have achieved a great deal.

Marthe Lépine:

You have been talking about theatre so far. But the museums seem to be facing a strange situation lately: National Museums has decided to switch from a core funding to a project funding system. That doesn't seem to make any sense, if I go by what you just said. Instead of getting an operating grant, a museum has to compete with all the other museums in the country for specific projects and cannot count on any funding structure to the same extent it used to.

Ron Blackburn:

The only thing to do there is to glean from the political side of things exactly where their priorities lie .... and good luck.

Brian Boyd:

My question is from the perspective of somebody who works for a department that is trying to look at overall systems. How do you view the issue of deficits and the need to develop disincentives for bad financial management? Why should government somehow reward an organization for bad management by coming in with deficit funding, and on the other hand, develop a system where there are adequate rewards for good financial management, without again having to resort to deficit funding situations?

Ron Blackburn:

I have no idea what the statement "rewards for good financial management" means in this context. When considering support for a performing arts organization, you cannot look at one specific season and come to any worthwhile conclusions about the long term support for that organization. You must look at least at a two to three year plan of that operation. I'll give you an example. The National Arts Centre went into a rather serious working capital deficiency situation back at the end of 1984 and it decided through its Board that it was going to eliminate that working capital by reducing its expenditures. The NAC went to the Regional Government to get its grant and the Regional Government looked at the expenses and revenues and concluded that the NAC was not going to need any money that year, because the actual forecast of revenues and expenses reflected a lower need than the previous year. The thing that they didn't realize in looking at the presentation in terms of their

own format was that the Board had made a decision the previous year to reduce its expenditures in order to reduce its working capital.

You can't just look at one single season to ascertain whether an operation needs public funding or not; you've got to look at the balance sheet and combine that review with a three to four year projection of what its plans are to either handle or manage the deficit. If a theatre plans for a 50% audience attendance at a particular play and then suddenly for some unknown reason it goes to 95% or vice versa, I don't know what, in terms of rewards and penalties, can be involved there. If the organization continually got into a situation where its audience levels were at half of what it was projecting, I would say that there is something very seriously wrong and to call in Harold to get a survey done.

Brian Boyd:

I have another question to do with endowments. What is your view of the use of endowments or capital funds for organizations to deal with the vicissitudes of audiences, government grants, and so on. Do you think there is any value in that?

Ron Blackburn:

I have very little experience with endowments. I perceive that endowments would allow a certain level of security for an organization in terms of its funding. I wish we had a nice large endowment fund operating at the Centre for even our major repairs, but we haven't.

Nancy Burgoyne:

As you commented, budgets must be looked at over numerous years when funds are being granted to organization. Would you be in favour then of seeing more financial advisory people sitting on arts advisory boards? The arts advisory committee of The Region of Ottawa-Carleton has three aldermen for its political members and the rest are specialists in the various disciplines. There is no visible financial person sitting on that advisory committee.

Ron Blackburn:

Implied in everything I'm saying is the need for more analysis, certainly beyond the format that you now see, from donor organizations. But until such time as they have the expertise or want to take the time to bring the expertise on stream, I don't think you're going to get it. For example, in our case, because of the misunderstanding about the position of the National Arts Centre, the Regional Government has decided, at least partly because of our presentation, to revise their financial format to go beyond one year and to incorporate the financial position on the balance sheet of our corporation. I would think that there are a great number of other municipalities, and public and private sector organizations that are going to demand some longer term view. Without it, I would think that there would be a lessening of the granting or contribution levels from those organizations.

Nancy Burgoyne:

It is certainly happening in the festival sector right now for any kind of arts festivals looking for private funding. The requirement has really tightened up on what they want to see in terms of audited financial statements.

Ron Blackburn:

There is no need for a theatre organization in this country to say to a granting organization that they don't have the manpower to do what it wants them to do. As far as I'm concerned, theatre groups have the collective expertise to assist any organization to do that kind of thing. There is no reason not to get that expertise from within the organizations that are there with support from the Canada Council or the Ontario Arts Council. Never mind going out to Touche Ross or Wood Gundy or anyone else. I personally believe that theatre administrators can ring \$1.10 out of any \$1.00 they get and that they would surpass on a \$1.00 basis anyone in the private sector. They do things with money that are amazing. But sometimes they need help in looking at the larger picture. The expertise is there; it's just a matter of organizing it.

Bill Kearns:

You mentioned the roles of senior administrator and artistic director in your presentation, and said that they had to be well defined in order for the organization to be able to manage well. Yet when I was in the real world, working in theatre, I often asked myself the questions, "Who was in charge?" or "Who really makes the decisions?". I wondered whether it was the artistic director who was saying, "This is what's going to happen", or whether it was the senior administrator who was saying, "I'm sorry, this is what we can manage with". In your planning of this document, and in your thinking, was that a point of some discussion?

Ron Blackburn:

There was a lot of discussion of that issue, and in the guidelines you'll see several pages dealing with that. We considered the artistic director to be the chief executive officer. At the same time, we also saw a requirement originating at the board level to ensure that the terms of reference of the artistic director be laid down for the relationship between him and the chief administrator. Now, if the artistic director can't stand the chief administrator in the same room with him, you've got a problem. Developing those terms of reference shouldn't be a problem if the Board is strong enough to support their development.

Heather Young:

One of the things that I've seen in research for my thesis at Carleton is that theatre companies tend to be founded by one person or a small group of people who propose an artistic director to lead the organization. It seems, at least in the companies that I've studied, that it's the artistic director who then selects

the board, and who can retain a fair degree of authority over the board of directors and over the whole organization. In your work, did you consider the role of an artistic director - the one strong person who maintains enough degree of control over the organization so that he can throw out any efforts for planning or anything that the board might want to do?

Ron Blackburn:

In Toronto, I came across an organization where the board had been trying to throw out the artistic director for three years without success. That individual happened to have founded the organization; he was a very strong individual, and they were having a terrible time. That is the reality in some cases, but we didn't really deal with that. I think those are extreme cases. When a person has an artistic dream, and forms an organization to reach that dream, he or she is probably picking a board to do one thing and one thing only - raise the money to let him do what he wants to do and allow him to be left alone. If a board is ready to accept those terms of reference, so be it. It all starts with the board.

Harry Chartrand:

I think many in this room will be aware that a financial stabilization program for the performing arts is being proposed by the Minister of Communications and the Canada Council. One of the issues which has surfaced in discussions of that proposed program is the treatment of balance sheet items. The fact is that in some of the institutionalized theatres as opposed to those that are entrepreneurially-based, a certain flexibility in the handling of balance sheet items could distort the statement of deficit or surplus situation. I'm wondering how far along your study group went with respect to the treatment of balance sheet items, and whether you have any comments upon the implications of a financial stabilization plan and how to monitor that such games are not played?

Ron Blackburn:

We developed a rather simplified balance sheet. But given the treatment of, for example, investments and fixed assets, we thought we had come along way in terms of presenting a balance sheet that fairly represented the financial position of the organization. Another problem we found was that theatre organizations are vulnerable in some ways to operating statements being presented on their behalf. Sometimes they don't have any input into the format of those statements. They get the year-end audit performed free of charge as a donation, perhaps because the head of the auditing firm sits on the board and he has his views about how the theatre should present its operating statements. I think through discussion with professional accountants on one side and theatre administrators on the other, independent of board influence, you will get some semblance of order in terms of comparative values that can be taken from the operating statements.

Richard Hopkinson:

I'd like to ask Harry Chartrand a question. Can you give us any more

information on the Canada Council's program that you've just briefly mentioned?

Harry Chartrand:

Only to say that a consultative process is currently underway. Members of the performing arts sector have been presented by the Canada Council with a draft plan for their comments, and the Department of Communications has gone forward with negotiations with the provinces in terms of their role and their response to the proposal. There is a rather complex series of sub-programs involved in the original proposals that I've seen, which includes everything from endowment funding to providing emergency loans for those temporary periods in which an organization might experience a cycle of downturn. I believe that one of the issues which has surfaced in negotiations with the performing arts companies is a fear that failure in terms of deficit situations is rewarded. Yet as Ron Blackburn has also pointed out, how do you define success and how do you reward it? This is one of many bones of contention. As far as I know, there is no firm publicly announced plan at the present time. A series of suggestions has been made, and has gone to negotiation. Whatever may have been viewed as a bureaucratic dream of a nice, clean, sensible, rational type of approach, turns out not to deal with the problems as perceived by those actually in the field. I know that answer may not clarify a great deal but the problem at the moment is that this program is not particularly clear. I would hope that by the end of June, perhaps at least by the end of the summer, this program will be finally designed and in place.

There are some fascinating questions that have surfaced in the discussion today. If cycles in artistic performance are part and parcel of theatrical activity, then deficits are part of the nature of the beast. Therefore, one should have a deficit retirement program of one form or another. However, what do you do with companies which have done their audience surveys, have carefully chosen a market niche in which they can produce maybe not the most experimental and exciting art but art which very definitely appeals to a large audience and their box office, and everything else keeps them in a surplus position?

What I am trying to suggest is that there are two questions. On the one hand, is the question of the artistic objectives of organizations, and what could be called an artistic deficit. A company may be doing very well financially, but artistically, it's questionable as to what contribution to art it is actually making - it may be "entertainment" rather than "art". Yet, on the other hand, is the question of a company which financially appears to be in a perennial deficit situation, but which is artistically in surplus. I think that this recently proposed Financial Stabilization Program is the third in approximately fifteen years of these types of programs at the federal level. At the provincial level in Ontario there have also been such programs. In the early 1970's, the Canada Council had to retire a whole series of deficits. In the late 70's the federal government introduced another deficit retirement program, and now yet again a stabilization program is being suggested. Unfortunately, I think that at the bureaucratic level there is this belief that some final solution to the deficit situation of artistic organizations exists when the fifteen-year trend line would suggest that there is no such thing as "the final solution" if what you're balancing is both the financial deficit and an artistic deficit. This is where I believe these types of programs are really having a great deal of difficulty in

organized bureaucracies.

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Today we have had two speakers who have highlighted something which the Research and Evaluation Section at the Canada Council is critically concerned with - standards in arts administration and standards in arts research. I think that Mr. Blackburn's presentation and the work that went into the production of this document is the best that has occurred in this field in the world. The last similar study with which I was familiar was done in the United States in 1975, and had nothing like the level of insight into the complexities of planning, budgeting and financial management that theatre companies in this country and in the United States experience.

Similarly, in terms of the document produced by the National Endowment for the Arts, Surveying Your Arts Audience, my research officer, Claire McCaughey, who herself has done an outstanding review of audience studies, has reviewed this document and has found it the cleanest, clearest, and probably the most helpful document in the field that is currently available. I recommend both documents to you very highly, particularly for purchase. However, if not, we do have a research library here at the Canada Council, and would be happy to have you use our facility.

This will draw to a conclusion the sixth Arts Research Seminar in our series. We hope that there will be a seventh. Tentatively, I have to say very tentatively, it is scheduled for September of this year and equally tentatively entitled "The Corporate Bottom Line and National Identity". We will be back in touch with all of you who have attended this session, hopefully within twelve weeks with a copy of the transcript and an outline of the next in our series.

On your behalf I would like to thank Mr. Blackburn most sincerely for this complex and fascinating presentation, and also again thank our speaker from this morning, Mr. Horowitz.



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