

Walton Arts Center: Act 2

Case A*

Case Outline

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Anita Scism expressed her excitement at a press conference announcing her appointment as President of the Walton Arts Center (WAC), in November 1998: "It's a great place. I love it!" In spite of this public statement, however, she was apprehensive about several significant challenges facing her. Foremost in her mind was the Center's need to increase revenues. "The Board of Directors (the Center's governing body) will be supportive in many ways, but I know that the primary responsibility for the Center is on my shoulders," she confided to close friends.

Three months later, Scism was still struggling with her new responsibilities. She said:

There's a two-day strategic planning "retreat" scheduled next month for our Board members and the management team. The Board wants to review our Mission Statement. I've got a lot to do here at the Center, but I also have to begin thinking about the kinds of things that could move the Center into the future. I have seen, firsthand, the enthusiasm for the arts in the community. People want to have more exciting, unique, and diverse art experiences, and I know we need to make these dreams even more of a reality for people all around our region. And we must find more revenues. What should we be doing differently?

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*This case was prepared as a basis for class discussion rather than to illustrate either effective or ineffective management.

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A-1 Background Information

In 1992, the Walton Arts Center, a newly constructed 1,200 seat performing arts facility, opened in Fayetteville, Arkansas. Fayetteville, a city of 53,000 population and home of the University of Arkansas, was the largest city in the fast-growing Northwest Arkansas corridor (primarily Washington and Benton counties, all within a 30-mile radius of Fayetteville) that included approximately 270,000 residents.

Scism was only the second President of the Center. Her predecessor, Bill Mitchell, was a popular and charismatic individual who was widely recognized both locally and nationally for his leadership in the arts community. He provided effective direction and inspiration for the WAC's construction and development as its first President from 1987 (pre-construction) to 1997. Under Mitchell, the Board of Directors adopted "Celebrate Imagination" as the Center's mission; a formal statement of vision, values, and goals supported that concept (see Exhibit 1). The Center experienced rapid growth, although that growth was accompanied by the growing pains of limited finances and the evolution of organizational systems and structure during its early years.




Walton Arts Center
Mission
Celebrate Imagination




Vision

The Walton Arts Center nourishes creativity and embraces cultural risk.
We ignite passion in our audiences for the full exploration of art.
We convey enthusiasm for quality.



Values

We value the power of ART to transform and influence the lives of all people.
We value the CHILDREN of Northwest Arkansas and their endless imagination.
We value excellence in arts EDUCATION for both children and adults, incorporating direct involvement with art and artists.
We value a continuing effort to reach out to ALL PEOPLE of Northwest Arkansas.
We value building and strengthening COMMUNITY through the arts.
We value the positive influence that our state-of-the-art FACILITY has on the cultural life of the region.



Goals

To build partnerships that create understanding, trust, and diverse audiences.
To build financial support that allows for expansive growth of programming and community services.
To create and invest in a balance of programs of high quality performance and visual arts.
To lead in the field of arts education.
To be an active voice for the arts in development of regional, state, and federal policy issues.

EXHIBIT 1

Walton Arts Center Vision
Statement

A-2 Mitchell's Departure

The years 1997 and 1998 were eventful for the Walton Arts Center, particularly because of Bill Mitchell's departure. Other performing arts organizations, over the years, had inquired about Mitchell's availability for CEO openings, because he was well known in the performing arts industry and had served as President of the National Association of Performing Arts Presenters. Mitchell and his wife were happy in Fayetteville, so he did not pursue the openings. However, changes in the Mitchell's family situation (all the children had grown up and left home) and an attractive challenge of starting over again to build a new arts center led him to seriously consider an offer in 1997.

The Center for the Arts and Sciences of West Virginia contacted Mitchell about a CEO position that would provide both new challenges and a significant increase in salary. The Center in West Virginia planned a major development, and Mitchell explored the opportunity with increasing excitement. He later explained his and his wife's decision:

We really had no desire to leave Fayetteville. We loved it there and thought it would be where we would retire. But I'm into my fifties now, and we both thought if we were ever to make another move, this would be the right time. We hope this will be our last stop.

Thus, the "founding father" of the Center and the person who, to many, personified the WAC resigned at the end of October, 1997.

A-3 The Replacement

Mitchell recommended that Anita Scism, then Senior Vice President, be named as Interim President, and the WAC Board of Directors accepted that recommendation. Scism, 42, was born, raised, and educated in Northwest Arkansas. She attended the University of Arkansas and had held various clerical and administrative positions with a number of local companies including a bank, a poultry company, and a law firm prior to joining the WAC in 1991. She was a quiet person, and people in the community considered her to be intelligent and personable.

Scism first had been appointed Director of Financial Affairs for the Center. She was promoted to Senior Vice President for Administration and Operations in 1994. Her primary responsibility had been to manage the Center's internal operations while Mitchell handled most of the external functions (e.g., Board relations, fund-raising, and programming). Other Vice Presidents who reported to Mitchell handled the marketing and education functions. Scism enjoyed working with Mitchell and credited him with teaching her about performing arts administration. She said, "I always worked well with Mitch, and we talked a lot about the Center and where it was going."

The Board appointed a Search Committee composed of selected Board members, secured the services of an executive search firm to locate a new President and CEO, and set the beginning salary range at \$75,000 to \$90,000 per year. The Search Committee developed a list of the President/CEO's responsibilities, as follows:

- Strengthening the Center's connection and service to the surrounding communities and the University of Arkansas
- Enhancing the mix of presented attractions
- Establishing the programming for the Baum Learning Center (a new hands-on arts education facility owned by WAC)
- Providing ever-greater program and learning opportunities for area students and educators
- Securing a primary role for arts and cultural activities in the future growth and development of the Northwest Arkansas region

A Connecticut-based search firm narrowed an overall field of nearly 30 candidates to five finalists. Scism was the only local finalist among the five. The consultant, in assessing Anita Scism's qualifications, said, "Any weaknesses she has come primarily from being in that 'number-two' position."

Three of the finalists for the position withdrew their applications at various stages of the interview process and a fourth was eliminated when members of the WAC search committee decided that "... his personality would not be a good fit in the community." The first candidate brought in was one of those who later withdrew. He stated that he did so because of time lags in the interview process during which he received no information, and because he received no closure from the search committee.

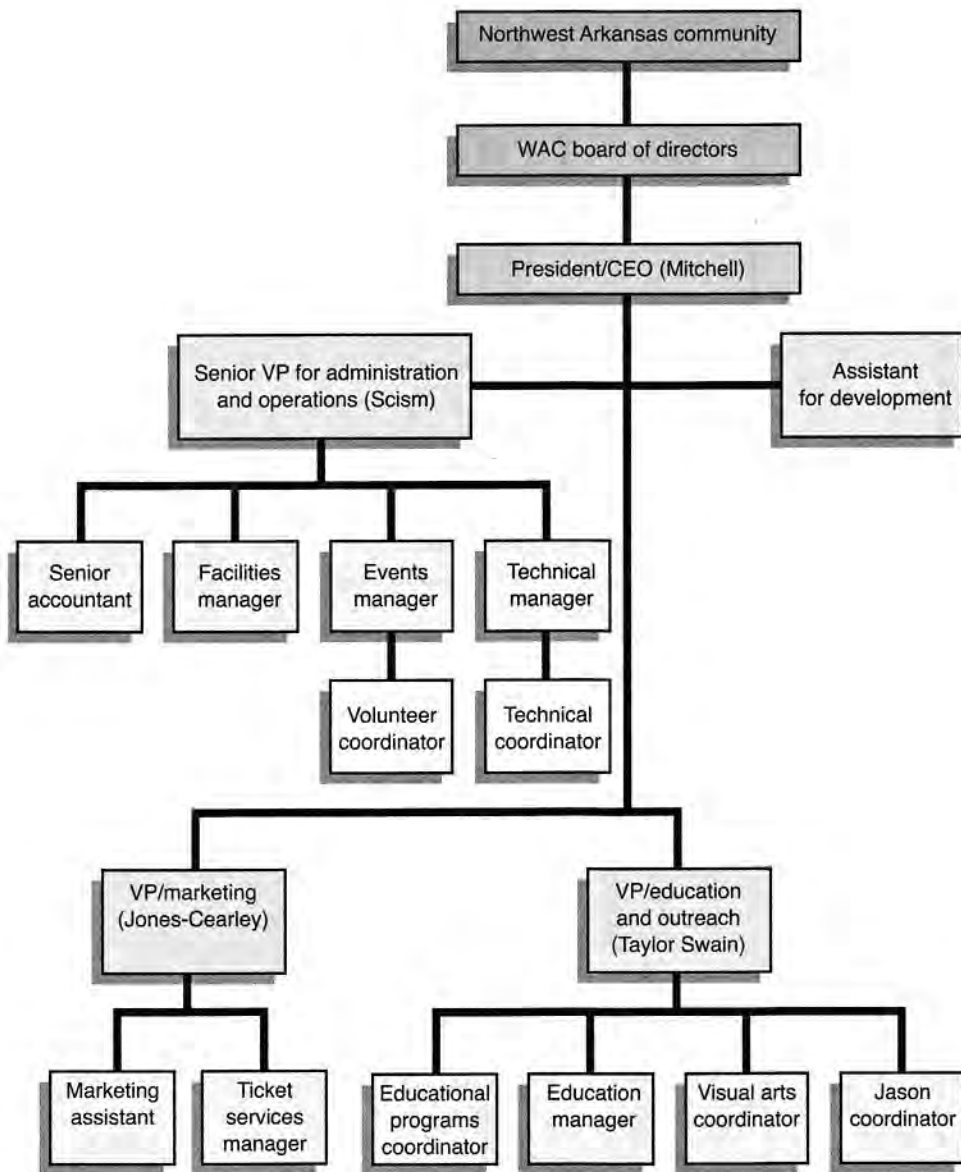
Finally, in November 1998, after nearly one year and with no other candidates remaining from the original pool of applicants, the Board's executive committee unanimously endorsed Anita Scism to become the new President and CEO of the Walton Arts Center. The Board itself concurred (also unanimously). Speaking at a local press conference, the Chairperson of the Board supported Scism's appointment: "She has seen the tremendous changes that have come to our region and she knows how to take advantage of those opportunities. Her collaborations in the business and education community make her an ideal ambassador for the center."

In Scism's comments to those attending the announcement of her appointment she asked the Board, Center staff members, and others in attendance for their input as she formulated her vision for the Center's future. From West Virginia, Mitchell expressed his pleasure and excitement for Scism, "It's an absolute delight to know that her leadership and talents have been recognized and will be supported. Her vision will pick up where mine left off."

A-4 A New Management Team

The Walton Arts Center's management team experienced a number of changes between September 1997 and December 1998 (see Exhibits 2A and 2B for the organization charts before and after the changes). Anita Scism made most of these changes and as a result was leading a team that she had created. One exception, Sonny Hildebrand, was appointed by Mitchell to fill the position of Vice President for Development shortly before Mitchell's departure. Hildebrand had a sales background and extensive community contacts. The position had been vacant for much of the last year of Mitchell's tenure due to financial constraints. Just prior to his departure, Mitchell also hired Tracy Dickson, a C.P.A. with four years accounting experience. Dickson filled a newly created position of Comptroller. Sue Jones-Cearley, the original Vice President of Marketing and Public Relations, resigned in early 1998, and that position was eliminated. Scism hired Terri Trotter to fill another newly created position, Vice President of Communications. Terri reported directly to the Senior Vice President of Programs; her primary responsibilities included developing information and promotions for Center performances. She also managed promotions, advertising, patron services and public relations. Terri graduated with a master's degree in telecommunications from Indiana University in 1993 and subsequently held positions as Promotion Director of two radio stations and Director of Marketing for a special events production company.

Jenni Taylor Swain, the only remaining member of Mitchell's management team other than Scism, had served as Vice President of Education for the Center since her graduation from the University of Arkansas with a Master's of Fine Arts degree. When Jones-Cearley left, Scism assigned responsibility for both education and marketing to Taylor Swain and promoted her to Senior Vice President of Programs. The Vice President of Communications, the Visual Arts Manager, and two Education Managers re-

**EXHIBIT 2A**Walton Arts Center
Organization Chart, 1997

ported directly to her. This change accomplished some financial savings by reducing the number of Vice Presidents. In addition to the promotion, Scism assigned Taylor Swain primary responsibility for events programming, a function personally performed by Bill Mitchell before he resigned. Scism explained why she delegated this important responsibility despite Taylor Swain's lack of experience in either marketing or performance programming, "It takes so much time to negotiate, schedule, and handle arrangements for performances. I just felt I needed that time for overall management of the Center."

The WAC Board of Directors was also changing. Cynthia Coughlin, wife of a senior Wal-Mart executive, became the first Chairperson from outside Fayetteville. She replaced James Stobaugh, President of a local Fayetteville bank. Coughlin resided in Bentonville, a community some 25 miles north of Fayetteville and headquarters to Wal-Mart Stores, Inc. She had served as a Board member for six years and had actively supported extending Center activities to regional communities outside of Fayetteville. Board members served three-year terms and could only be reappointed twice,

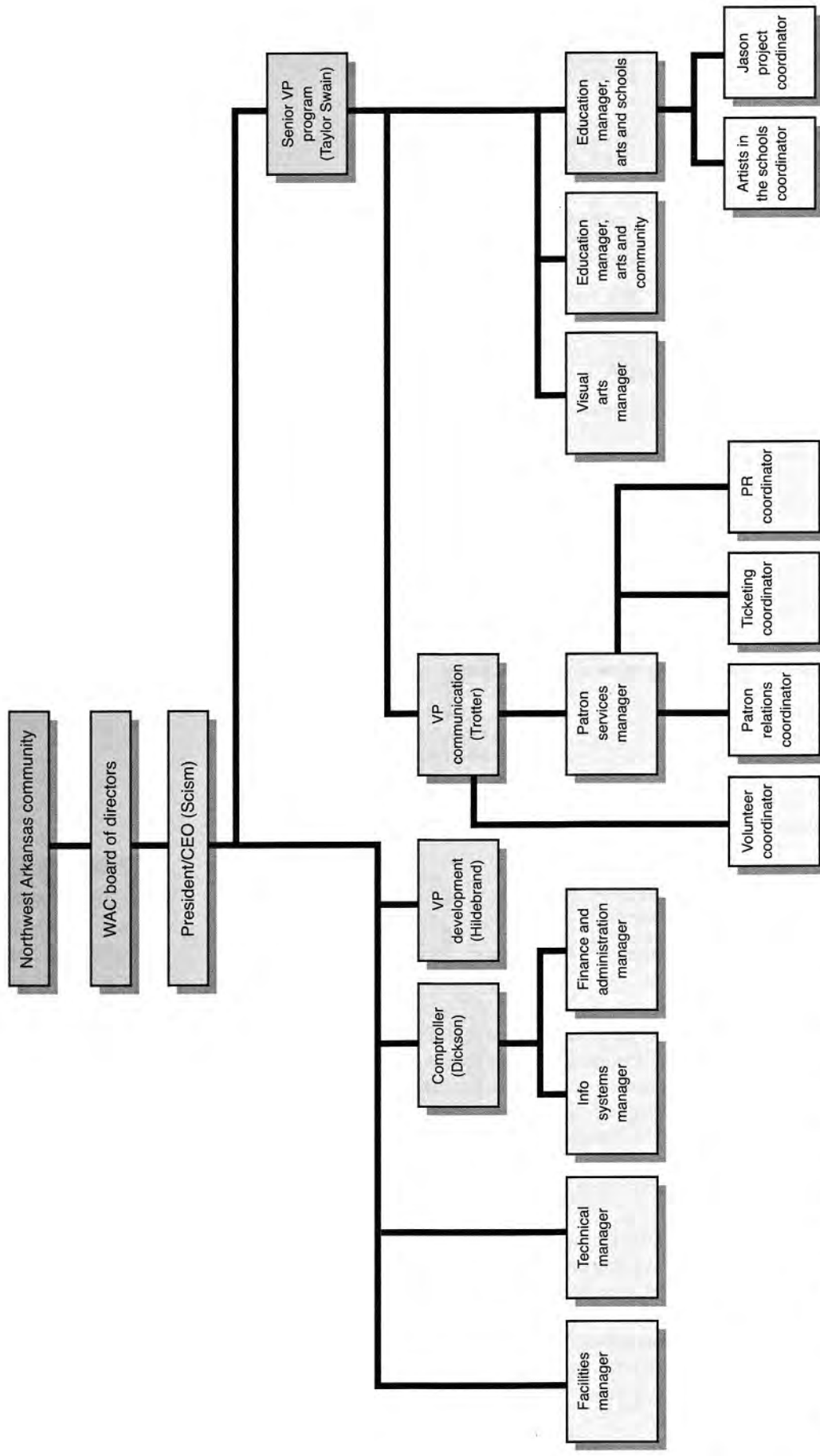


EXHIBIT 2B Walton Arts Center Organization Chart, 1999

thereby serving up to nine years on the Board. The remaining original Board members, most of whom were very active and influential in WAC activities, were scheduled to complete their ninth year of service in 1999. With several new Board members to be appointed then, the Board's approach to oversight and decisions after that was uncertain.

A-5 Center Finances

A-5a Contributions

The financial situation for the Center had improved in some respects over the past two years. Two large contributions by Northwest Arkansas families, who were already Center benefactors, increased the Center's endowment funds and further supported its educational activities. Because of a special interest in education, one of the families earmarked its contribution for the Baum Learning Center, a 17,000-square foot facility previously acquired by the WAC for hands-on education of arts such as pottery, photography, theater, music, painting, and drawing. Renovation of the Learning Center building to prepare it for WAC usage had been halted in late 1996 due to a lack of funds, and the contribution allowed construction to be resumed. Scism hired an Education Manager for the Learning Center and hoped to open it soon, although there was not yet enough money to furnish it. A limited number of classes were offered temporarily in other facilities pending completion of the Baum Learning Center. The new Education Manager explained how the Learning Center would contribute to WAC's educational mission: "We will be able to broaden what we offer because people can get dirty and use messy material and have a proper art-making space."

A-5b Endowments

Significant increases in the value of endowment investments, primarily because of stock value appreciation, accelerated the growth of the WAC's endowment funds during 1997 and 1998. As reflected by the Statement of Financial Position at June 30, 1998 (Exhibit 3), the value of these restricted funds increased to over twelve million dollars—from just over eight million dollars two years earlier. Although the principal of the endowment funds could not be spent by the Center, the increased endowment indirectly created more financial stability in the Center operations. The WAC Foundation, governed by an independent Board, supplemented the budgeted transfer of endowment earnings to Center operations with a special "one-time" transfer of approximately \$75,000. The Foundation authorized the special transfer in order to provide badly needed working capital and financial stability for the Center. That transfer enabled the staff to lessen its preoccupation with day-to-day financial problems. The Foundation also paid directly for new Center equipment totaling over \$200,000.

A-5c Sponsorships

Approximately seventy sponsors, primarily businesses, banks, and a considerable number of Wal-Mart vendors, provided significant funding for specific WAC events and programs. The area media also provided increasing amounts of in-kind marketing services in order to publicize WAC performances. One of the sponsors expressed his company's reason for financially supporting the WAC:

The Walton Arts Center has dramatically improved the quality of life for families in Northwest Arkansas by bringing additional opportunities for cultural experiences and education for all people in our community. . . . We at Pace Industries believe

EXHIBIT 3 Walton Arts Center Statement of Financial Position—June 30, 1998

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Assets				
Cash	\$ 1,151,084.45	\$ 513,845.67	\$ 637,238.78	\$ —
Investments	11,543,545.60	—	3,213,545.60	8,330,000.00
Accounts receivable	41,982.11	36,670.77	5,311.34	—
Prepaid expenses	11,295.50	11,295.50	—	—
Unconditional promises to give	391,311.22	—	391,311.22	—
Deposits	448.00	448.00	—	—
Property and equipment, net	1,679,545.13	1,679,545.13	—	—
Leasehold improvements, net	3,344,524.18	3,344,524.18	—	—
Total assets	<u>\$ 18,163,736.19</u>	<u>\$ 5,586,329.25</u>	<u>\$ 4,247,406.94</u>	<u>\$ 8,330,000.00</u>
Liabilities and Net Assets				
Accounts payable	\$ 162,793.11	\$ 162,793.11	\$ —	\$ —
Wage payable	310.38	310.38	—	—
Deferred revenue-ticket sales	581,834.62	581,834.62	—	—
Total liabilities	<u>744,938.11</u>	<u>744,938.11</u>	<u>—</u>	<u>—</u>
Net Assets				
Unrestricted	4,841,391.14	4,841,391.14	—	—
Temporarily restricted	4,247,406.94	—	4,247,406.94	—
Permanently restricted	8,330,000.00	—	—	8,330,000.00
Total net assets	<u>17,418,798.08</u>	<u>4,841,391.14</u>	<u>4,247,406.94</u>	<u>8,330,000.00</u>
Total liabilities and net assets	<u>\$ 18,163,736.19</u>	<u>\$ 5,586,329.25</u>	<u>\$ 4,247,406.94</u>	<u>\$ 8,330,000.00</u>

that we should support any organization that has such a positive impact on the quality of life in our community.

Other sponsors cited the importance of the WAC's cultural leadership in recruiting top-quality employees for their companies from a nationally competitive market.

A-5d A Profitable Year

The Statement of Activities (Exhibit 4) showed an increase in unrestricted net assets (a rough equivalent to profit) of \$95,724 for the fiscal year ended June 30, 1998. Revenue from sponsorships more than doubled over the previous year to \$369,302, although the increase was primarily in-kind marketing services with offsetting marketing expenses. Ticket sales increased by nearly \$280,000 over the previous year. Grants, rentals, and class fees also increased. Altogether, operating revenues increased 25% over the previous year, continuing the growth experienced by the Center since its beginning. Since WAC's fiscal year corresponded with the season performance schedule, most of the revenue increases resulted from plans formulated and programs developed prior to Mitchell's departure.

Several expenses increased along with the additional revenues. For example, artist fees and faculty fees rose with ticket sales (see Exhibit 5 on page 210 for the Statement of Functional Expenses). Salaries increased by \$100,000, including a \$30,000 bonus authorized by the Board for the employees, partially as a reward for the prior year's "profit." Before the bonuses and salary increases, several employees were paid below the bottom limit of pay ranges that had been set two years earlier. First to be

EXHIBIT 4 Walton Arts Center Statement of Activities Year Ended June 30, 1998

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Revenues				
Contributions	\$ 3,160,741.42	\$ 165,643.49	\$ 695,097.93	\$ 2,300,000.00
Sponsorships	369,302.00	369,302.00	—	—
Ticket sales	942,826.00	942,826.00	—	—
Ticket services and handling fees	43,922.41	43,922.41	—	—
Class fees	182,210.16	182,210.16	—	—
Concessions	19,998.48	19,998.48	—	—
Rentals	181,548.72	181,548.72	—	—
Grants	445,368.88	445,368.88	—	—
Advertising	49,050.00	49,050.00	—	—
Technical services	30,691.08	30,691.08	—	—
Other income	36,372.98	35,938.94	434.04	—
Investment income	514,981.33	13,207.53	501,773.80	—
Gains (losses) on investment sales	2,584,181.23	—	2,584,181.23	—
Unrealized gains (losses)	(1,372,944.12)	—	(1,372,944.12)	—
Net assets released from restrictions	—	633,880.08	(633,880.08)	—
Total revenue	<u>7,188,250.57</u>	<u>3,113,587.77</u>	<u>1,774,662.80</u>	<u>2,300,000.00</u>
Expenses				
Program services	1,424,958.00	1,424,958.00	—	—
General and administrative	1,570,870.42	1,570,870.42	—	—
Fund raising	15,813.67	15,813.67	—	—
Loss on disposition of equipment	6,221.33	6,221.33	—	—
Total expenses	<u>3,017,863.42</u>	<u>3,017,863.42</u>	<u>—</u>	<u>—</u>
Increase (decrease) in net assets	<u>4,170,387.15</u>	<u>95,724.35</u>	<u>1,774,662.80</u>	<u>2,300,000.00</u>
Net assets at beginning of year	<u>13,248,410.93</u>	<u>4,745,666.79</u>	<u>2,472,744.14</u>	<u>6,030,000.00</u>
Net assets at end of year	<u>\$ 17,418,798.08</u>	<u>\$ 4,841,391.14</u>	<u>\$ 4,247,406.94</u>	<u>\$ 8,330,000.00</u>

upgraded were the salaries of vice presidents where the largest gaps were apparent; however, others also received pay increases. Though some complained that the raises were long overdue, most employees welcomed the attempt to at least bring salaries up to the lower ends of those ranges. The search for a new President also contributed to increased expenses during the period. Overall, expenses for the year ended June 30, 1998 increased by about 25% over the previous year's expenses.

A-6 The Downturn

The monthly internal financial reports for the first six months of the June 30, 1999 fiscal year, however, showed a different picture from the success of the preceding year (see Exhibit 6 on page 211 for the Summary Budget to Actual, prepared on a cash basis). As of December 31, 1998, several revenue sources were significantly below budgeted expectations, particularly sponsorships, class fees, grants, and contributions. Even though revenues still exceeded expenses by \$179,281, that "profit" was inflated by the full season ticket sales being included in revenue (cash basis)

EXHIBIT 5 Walton Arts Center Statement of Functional Expenses Year Ended June 30, 1998

	<u>Program</u>	<u>General and Administrative</u>	<u>Fund- Raising</u>	<u>Total</u>
Artist fees	\$ 740,339.16	\$ —	\$ —	\$ 740,339.16
Licenses	585.00	522.10	270.00	1,377.10
Software rental and licenses	—	2,561.63	—	2,561.65
Bad debt expense	1,400.00	14,900.00	—	16,300.00
Faculty fees	58,604.70	—	—	58,604.70
Bank charges	25,849.95	61.16	—	25,911.11
Investment fees	—	55,481.90	—	55,481.90
Insurance	—	22,151.50	—	22,151.50
Equipment rental	2,650.00	99.68	1,051.20	3,800.88
Repairs and maintenance	9,586.55	46,959.45	—	56,546.00
Landscaping	—	14,843.55	—	14,843.55
Depreciation	—	167,759.31	—	167,759.31
Miscellaneous	—	1,989.00	—	1,989.00
Special events	7,301.37	11.19	3,780.92	11,093.48
Marketing	271,778.47	3,648.30	8,116.48	283,543.23
Meetings	56.22	998.60	13.95	1,068.77
Postage	13,072.19	10,899.80	330.00	24,301.99
Supplies and stationery	30,227.96	54,651.84	1,366.23	86,296.03
Printing and copies	121,163.47	3,983.42	575.31	125,722.20
Telephone	—	15,333.65	—	15,333.65
Utilities	—	124,259.58	—	124,259.58
Contractual services	81,782.44	46,677.72	44.94	128,505.10
Service contracts	—	26,646.65	—	26,646.65
Sponsorship allowance	6,970.24	—	208.32	7,178.56
Volunteers	1,547.66	—	—	1,547.66
Transportation	20,000.00	—	—	20,000.00
Travel	22,313.79	25,296.11	56.34	47,666.24
Shipping	4,510.83	—	—	4,510.83
Ticket program	4,473.00	—	—	4,473.00
Property taxes	—	4,270.21	—	4,240.21
Legal	—	235.00	—	235.00
Accounting	—	10,500.00	—	10,500.00
Other consultants	—	38,178.70	—	38,178.70
Staff training	695.00	10,877.71	—	11,572.71
Dues and subscriptions	—	2,311.14	—	2,311.14
Publications	—	1,301.35	—	1,301.35
Training	—	1,551.00	—	1,551.00
Salaries	—	631,666.27	—	631,666.27
Payroll tax expense	—	56,620.08	—	56,620.08
Employee benefits	—	63,454.94	—	63,454.94
Temporary employees	—	110,167.96	—	110,167.83
Total	\$ 1,424,958.00	\$ 1,570,870.42	\$ 15,813.67	\$ 3,011,642.09

while a large portion of accompanying expenses were not to be paid until after the performances in the last half of the fiscal year. Endowment transfers had also been advanced in order to provide additional working capital. Unless revenues increased in the last half of the year, there would clearly be a significant operating deficit at the end of the year. Since the local economy continued its strong growth pattern, Scism

EXHIBIT 6 Walton Arts Center Summary Budget to Actual—July 1, 1998 to December 31, 1998

	<u>FY99 Budget</u>	<u>YTD Budget</u>	<u>YTD Actual</u>	<u>% of Total Budget</u>	<u>FY98 Actual</u>	<u>FY97 Actual</u>
Revenues						
Education Endowment	39,000	39,000	39,000	100%	—	—
Operations Endowment	181,000	60,000	60,000	33%	165,000	163,000
Long-Term Maintenance	84,000	60,000	78,228	93%	88,623	97,906
Maintenance Endow	88,000	88,000	88,000	100%	61,000	59,000
Contributions—Member	171,100	72,600	53,259	31%	140,951	169,267
Special Events	—	—	—		50,627	—
Sponsorships	324,200	144,200	73,350	23%	147,723	166,535
Sponsors-In-Kind	192,000	84,750	40,604	21%	213,460	—
BLC Class Fees	42,220	20,120	16,406	39%	26,736	—
Class Fees/Registrations	201,000	73,000	60,432	30%	155,474	170,462
Ticket Sales	798,680	640,000	650,777	81%	941,127	653,376
Incentive Ticket Sales	11,420	9,000	5,248	46%	—	—
Sponsor Ticket Sales	35,070	30,000	27,270	78%	—	—
Ticket Services	47,000	20,000	22,590	48%	50,011	39,641
Interest	7,000	3,600	6,747	96%	13,208	2,359
Concessions	18,000	9,000	12,179	68%	19,998	16,430
Event Rentals	127,850	69,500	78,509	61%	1784,509	166,594
Leases	45,520	2,800	21,886	48%	—	—
Grants	384,065	118,532	96,044	25%	454,144	346,895
Other Income	120,198	77,758	128,234	107%	49,023	72,978
Technical	17,000	8,820	9,225	54%	30,691	14,469
Arts Partners	20,000	20,000	21,735	109%	20,645	20,145
Program Advertising	54,000	35,400	34,886	65%	49,050	47,325
Total Revenues	3,008,323	1,706,080	1,626,610	54%	2,862,000	2,206,382
Expenses						
Program	1,274,950	640,817	707,874	56%	1,176,954	954,548
Administrative	346,637	190,685	180,783	52%	364,345	320,288
Personnel	1,053,183	526,292	454,808	43%	861,909	755,625
Professional Services	60,045	26,045	29,713	49%	86,146	28,062
In-Kind Marketing	192,000	84,750	38,214	20%	215,440	—
Total Expenses	2,926,815	1,468,889	1,411,392	48%	2,704,794	2,058,523
Capital	26,700	26,700	35,937	135%	129,784	37,947
Contingency	54,808	—	—	0%	—	—
Total Expenses and Capital	3,008,323	1,495,589	1,477,329	48%	2,834,578	2,096,470
Excess Revenue over Expense	—	210,492	179,281		27,422	109,912

believed that the deficit could be avoided, partially because commitments for funds not yet received covered some of the differences between actual and budgeted revenues.

Scism also reduced the staff in order to cut expenses. Scism set an example for everyone by pitching in to do whatever was needed. Taylor Swain told of one incident: "I was driving by the arts center one day and I saw her out mowing the lawn. I said, 'What is she doing now? That's Anita out there!'" The administrative and personnel expense reductions are reflected in the difference between the 1999 YTD Budget and YTD Actual (Exhibit 6). ("FY98 Actual" amounts in Exhibit 6 varied somewhat from the "Unrestricted" amounts in the audited Statement of Activities in Exhibit 4;

these variations were due primarily to the differences between cash and accrual bases, to adjustments and reclassifications made by the auditors, and to differences in Exhibit 2 the way that Foundation transfers to the Center were recorded.)

A-7 Events Programming

Performing arts events received the greatest attention among the various Center activities. Bill Mitchell personally selected most programs while he was President. Anita Scism assigned this responsibility to the Senior Vice President of Programs, Taylor Swain, after Mitchell left.

The WAC's most loyal patrons were primarily motivated to support programs that reflected their love of the arts and those programs that stimulated artistic talents and interests in others. These individuals came primarily from the university faculty and the business and professional community. A recent survey found that more than 60% of the Broadway Series patrons had a college degree or higher educational level.

A-8 Programming Criteria

Scism described the criteria used in programming decisions: "Prime concerns for any program are 'Does this program fit into what we are trying to do or say at the Walton Arts Center? Does the performance have integrity? What horizon are we hoping to expand or broaden for our audiences?' Artistic vision leads most programming decisions."

One of the Board members explained his personal priority for the WAC:

One of the challenges in the future is to constantly revise the programming to reflect current interests and keep the blend vital. There are audiences out there we have yet to discover and we won't until we offer something that attracts their attention. But at the same time, we have to offer the things that keep our current audiences coming back.

Scism described the important role of education in programming decisions: "Since our inception, the key component to our mission at the Walton Arts Center is education." University faculty members and Helen Walton, matriarch of the Walton family, especially promoted the educational merits of programming, which in turn influenced the selection of programs. Programs catering to school children received high priority attention, and the presentation of these programs for student groups brought over 60,000 children to the Center each year. The opening of the Nadine Baum Learning Center and sponsoring of six-week residencies for artists in local schools were expected to further expand the educational programs of the WAC. Also, statewide delivery of selected arts education programs, utilizing the university's technology, had been discussed. In addition to its arts education activities, the Center was the only arts-based center in the nation to provide an interactive site for the JASON Project, a technology-based science education experience for students.

A-9 Program Results

The Center budgeted for each performance event's ticket sales and subsequently collected information about ticket sales, corporate sponsorships, and artist fees for each event. The data allowed a computation of what was termed "net income" (revenues minus artist fees) as well as a comparison of ticket sales to budget for each event. This information was provided to the management team each month.

Of the twenty-six events presented, six plays drove the very successful 1997-1998 ticket sales. These plays collectively accounted for 76% of the Center's ticket sales for

the year's twenty-six events, and approximately \$370,000 revenues (including sponsorships) in excess of artist fees. Each play produced ticket sales of more than \$100,000, and nearly all performances were sold out. Of \$200,000 sponsorships that could be identified with specific events, the six plays collectively generated half of that revenue. The plays included *A Chorus Line*, *To Kill a Mockingbird*, *Joseph and the Amazing Technicolor Dream Coat*, *Damn Yankees*, *Carousel*, and *West Side Story*. All six plays were very profitable, especially the first three. *A Tuna Christmas*, The New York City Opera, The Coasters/Drifters/Platters, and The Kingston Trio also were profitable, collectively selling \$116,000 of tickets and \$47,000 of sponsorships, with \$108,000 of artist fees. Revenues from four other events collectively exceeded the associated artist fees by approximately \$17,000. In contrast, artist fees for the other twelve events collectively exceeded the revenues they generated by \$40,000 and also produced ticket sales far below budget. Artist fees for The Kadinsky Trio, Dorsey/Jones, Street Sounds, and Ballet Florida exceeded not only the actual revenues for each event but also the budgeted revenues.

Jenni Taylor Swain explained why some shows lose money: "Not all of our shows make money, so to speak, so they are subsidized by contributions from sponsors and by revenues brought in by the more popular shows. Because they fulfill part of our artistic mission, it's important for us to bring those in."

The former Vice President for Marketing expressed another viewpoint prior to leaving: "Education is our number one priority. . . . Some of our performances are brought in for education and they just won't sell . . . I mean, a Brazilian flute player just won't pay his own way. I think Education is kind of out there on its own."

Programs anticipated to generate the greatest revenues during the 1998-1999 performance season included: *The King and I*, *Spirit of the Dance*, *A Funny Thing Happened on the Way to the Forum*, *Fiddler on the Roof*, and *Idols of the King*. Most tickets for these performances were priced in the \$24-\$28 range. All of the plays presented before December 31, 1998 (the others were to be presented during the Spring) were financially successful. In addition, *STOMP* (a popular, non-traditional percussion performance) was presented under a special revenue-sharing arrangement with the producers, and it generated as much profit as most of the other Broadway events. A comparison of 1998-1999 total ticket sales to the previous year showed a decrease, although this was somewhat misleading since *STOMP* tickets were not included in the current year's sales. (Net profit from *STOMP* is shown in "Other Income" because of the percentage split structure of that contract.) Five other events during the first part of the season showed losses, and approximately half of all the programs fell short of budgeted ticket sales by 10% or more. Diavolo, a dance troupe scheduled the Saturday after Thanksgiving, produced the largest single loss when only 87 seats were sold for the event. For the first six months of the 1998-1999 fiscal years, sponsorships were down and direct expenses were up from comparable events during the previous year. Lack of sponsor support also forced a reduction in the number of "golden-oldies" concerts from three presented in recent years to only two (Don McLean and The Temptations) scheduled in the Spring of 1999.

A-10 Looking Ahead

Anita Scism considered the Center's status in early 1999:

The best part of my job is all the fun and creativity. I'm still as excited and committed as the day I got the job. I believe that the organization is stronger as a result of staff restructuring and management team appointments. I also believe that my style of delegating authority to the staff and building teamwork has been effective through the transition.

Asked about the development of her vision for WAC, she said: "It hasn't been forgotten, but the past three months have been so hectic that I had to delay it. It's on

the floor, literally," she noted with a smile as she pointed to a stack of papers on the floor, "but I know it should include more event partnerships with arts groups in our community and at the University. The possibilities seem endless when I consider all their talent and enthusiasm." Reflecting on her experience as President, she said:

There's just so much to do that it is exhausting. With the staff cutbacks on top of everything else, I just haven't had enough time. I haven't got out and joined the Chamber of Commerce or made many new business contacts, but I've felt accepted by most of the people I have come into contact with. I guess there's a natural transition of following Mitch and building credibility in the business community by any new person, and maybe particularly a woman for some people.

Scism was also concerned about a proposed 700 to 1,500 seat performing arts center, projected to cost up to \$15,500,000, to be located in Bella Vista and operated by a newly formed arts organization. Bella Vista was a community just north of Bentonville, headquarters for Wal-Mart Stores, Inc., and home to a number of Wal-Mart managers and executives. One of the supporters of the proposed center said: "We want this arts center to be accessible to the whole area. It's definitely not just a Bella Vista thing. We're hoping to kick off the fund raising drive soon."