

Grantmakers in the Arts  
Proceedings from the 1999 Conference

## **Strengthening the Arts Through Policy, Performance and Practice**

November 14-17, 1999 San Francisco

### **Working in the Profit-Nonprofit Intersection**

Four cases of profit-nonprofit intersection were featured in this session, ranging from global to local and from education to economic development in purview. What inspired them? What are the risks, chances for success, obstacles, and opportunities?

Moderator: Alberta Arthurs,  
Panelists: *MEM Associates*  
Becky Anderson, *Handmade in America*  
Eugene Carr, *CultureFinder*  
Gary Knell, *Children's Television Workshop*  
Joseph Lyons, *San Juan Arts Center*

Presented November 16, 1999, 3:00 p.m.

***Introducer:** I've been informed by the moderator that I am not permitted to read anything that I was supposed to read, so I will only say that I know Alberta from her days at the Rockefeller Foundation. She's been an inspiration to many of us in the field. And I will simply say, welcome to Alberta Arthurs, Thinker.*

**Arthurs:** I love the brevity and the comment. Thanks! We're all going to have to test this equipment and maybe we will see a few more people drifting in as we do so.

This is a panel on for-profit/not-for-profit interaction, and I am delighted to be here with a very distinguished panel indeed. This meeting has a history which I am going to share very quickly with you before we get into the work, because there are attendant pieces of information that relate to it that you may want to

know.

The American Assembly held in 1997 on *The Arts and the Public Purpose* asserted, among other assertions, that if the public purposes of the arts are to be more fully realized, more extensive, ongoing cooperation and collaboration between the for-profit and not-for-profit arts are inevitable. For-profit/not-for-profit relationships in the arts are obviously not new. But the participants at that assembly stressed that they are growing.

They also asserted, as we all also know, that this kind of cooperation is not easy. It is fraught with dangers. We must talk about the differences in mission, inequalities in economic power and knowledge, regulatory and legal questions, new kinds of financial risk that are posed by relationships between the for-profit and not-for-profit arts.

Despite these dangers, I think we all know that not only are such relationships increasing in number, due to a variety of reasons, which I hope we may begin to talk about, but that in fact, probably, actually, despite everything, they should be encouraged. The panel today may be able to point out to us both the dangers and risks, and also reasons why such relationships should be encouraged.

There has been some follow-up work done to that assembly which I want to remind you about. Background papers, reports, related documents, including essays by Bill Ivey, Cora Mirikitani and Margaret Wyzcmerski have been included in the Summer, 1999 *Journal of Arts, Management, Law and Society*, which is on for-profit and not-for-profit arts relationships. That's one document that you might want to know about.

Two additional American Assemblies have been held on this particular subject, funded by Ford and by AT&T. The meeting document, the report of those meetings, has just been released. In fact, we rushed it out so it could be distributed here. It's called *Deals and Ideals*. There are some left on the table in the back of the room for those of you who haven't already picked it up. It is the assembly's findings on next necessary steps and recommendations on what we need to know to make for-profit and not-for-profit relationships better. There are also several research and feasibility studies in process funded by several foundations that are investigating aspects of this intersection, and the future of for-profit/not-for-profit relationships.

What we are doing here today is offering four very unlike case studies of for-profit/not-for-profit enterprises. Our hope, at least my hope, is to open up a conversation with you about this place between the for-profit and the not-for-profit, as these practitioners talk to us about their efforts. Because that place between the for-profit and the not-for-profit seems to be increasingly inhabited in our world of the arts, there is a lot to learn from practitioners.

Briefly, let me introduce our panelists in the order of their presentation.

Gary Knell was an essential player at Children's Television Workshop in the

development of *Sesame Street*, particularly in such places as South Africa, Russia, Israel, the Palestinian territories. He detoured to an Asian-based media conglomerate before returning to CTW very recently. When, Gary? Two years ago? Two years ago. He is now, we have only very recently learned, the new President and CEO of CTW. He'll talk today about one of his new, big achievements, the creation of Noggin, a new educational cable and on-line service for children created by CTW, not-for-profit, and Nickelodeon, for-profit.

Gene Carr, next to him. Once a cellist, always a cellist, Gene? Do you still play? Once an arts administrator with the American Symphony Orchestra and other organizations. Once a marketing manager at American Express. Gene is now the founder and CEO of CultureFinder.com, an arts ticketing and information site on the Internet that services not-for-profit arts and selected for-profit arts enterprises. This is a Web site with a not-for-profit cultural outlook, and a for-profit plan, reaching to cultural organizations and to venture capitalists.

Becky Anderson, Executive Director of Handmade in America, is also the founder of Handmade in America. After a long career in rural community development in North Carolina, Becky founded Handmade in America five years ago to concentrate on craft-focused community development. In her part of the state of North Carolina, an entire valley has become a tourist destination, an arts lovers' Mecca, a heritage trail, turning crafts into dollars for rural people.

Joseph Lyons. In tiny Ridgeway Colorado, Joseph is Executive Director - you see that's four CEO's in a row - Executive Director of an arts center that didn't exist until six months ago?

**Lyons:** July.

**Arthur:** July, and of the San Juan Performing Arts Foundation, which also didn't exist until five years ago. A former conductor, music maker, actor, arts professor and media guru in the arts, he is now transforming his tiny community through the arts, in part, as he will tell us, through arrangements with a commercial arts partner. The kind of for-profit you can find in or close by any American town, no matter how tiny. So we have a for-profit/not-for-profit case from a very small rural community.

I am going to tell you what I told this panel, so we can see if we can keep them honest, and then I am going to sit down for a while. What I told the panelists was that I was going to try and introduce the subject of the increasing role of for-profit/not-for-profit connections in the arts today, and introduce each one of them as a kind of case study of that connection. Each one of you, I said to them, does represent a particularly imaginative and concrete instance of this phenomenon, in your particular enterprise. This audience will want to know why such a relationship was important in the particular enterprise; what each side - the for-profit and the not-for-profit - contributes to it; what the difficulties are of operating between those sides; what you expect to achieve; what the problems are, obviously.

I see the four cases before us as reflecting, each in its own way, unique contributions to this large subject, from international Gary; to national - Gene; regional - Becky; local - Joseph. From Cyberspace - Gene; to handcrafts - Becky. From corporate partnership - that's Gary; to local enterprise - Joseph. This wide variety is demonstrable in experiments that are going on in many, many parts of our country and beyond.

After we have heard from the panelists, who I am going to time ruthlessly to ten minutes apiece, it will be up to us to find the common concerns and questions, the common quests, that appear to bind the for-profit and the not-for-profit. I am going to ask Gary to start.

I hope I held up *Deals and Ideals* for all of you to see. And I also want to remind you that the current *Grantmakers in the Arts Newsletter* has two very interesting articles on the for-profit/not-for-profit intersection. And now, are you going to start Gary? Great.

**Knell:** Thank you, Alberta. Good afternoon. Alberta did warn me about twelve times, "Do not tell any of these people that you need money for anything." So, I'm not here to pitch. And I have been thinking about Lenin and Warsaw as a new television project actually, ever since lunch.

The other thing I was thinking about is that, you know, I was a lawyer - a reformed lawyer now, I am proud to say - and that I used to give lectures at the Bar Association about for-profit/not-for-profit interactions. It is really great to talk about this and not discuss the history of Section 236 of the Internal Revenue Code. I won't be giving that to you today.

What I do want to talk about is how CTW as a 501(c)(3) not-for-profit has gone about accomplishing its mission through partnerships. And this is something that has been in the heritage of our organization for thirty years. The mission for CTW, for those of you who don't know it is, is to use education to help kids. And we've sort of re-worded that a little bit to say specifically that it's to help all children reach their highest potential by creating innovative, engaging content that maximizes the educational power of media. This is something that we started thirty years ago with *Sesame Street*, which really grew out of a Carnegie study back in the '60s. The Ford Foundation was also involved. There is a long heritage of support philanthropically for the use of television to help educate kids.

Thirty years later we are internationally involved in such projects. I just literally returned from the Middle East last week where we did a research symposium in Jerusalem, following up on a five-year project in which we got Israelis and Palestinians to work together to begin to teach lessons of tolerance to young children there, to try to build a new peace in the Middle East. It is quite a remarkable undertaking in the midst of bus bombings and border closures and assassinations, and some truly courageous people went ahead and got this done. But it's using television and building a new culture there to try to get that accomplished.

In Egypt we have a new project which is dealing with kids, many of whom are literally in the fields, yanked out of school at the age of eight. Every kid in Egypt, however, has a television, and for the first time ever, a locally made, indigenous program will teach Egyptian kids about their own culture; about numeracy and literacy, and lessons in which they will see people who look very much like themselves, and in a very diverse culture of upper and lower Egypt. They will begin to use television in new ways.

That is really the essence of what CTW is all about. We haven't been able to do these things without partnering up with a variety of people. We have, as most of you know, and I am certain any of you know who have kids, engaged in very large scale licensing programs in which we stayed within the unrelated business income tax laws to fashion together programs with such partners as Mattel and Sony; small companies like Bertlesman, the third largest media company in the world, which now owns Random House. With Columbia Pictures, we just had a movie out called *The Adventures of Elmo in Grouchland*. I won't ask you how many saw that. We have major collaborations with Pfizer on healthcare; and with Ford on safety campaigns for kids in cars. We've done a lot of things to try and get our educational messages out there.

The biggest thing that we have faced, however, in trying to accomplish our mission, is trying to do television that positively engages kids. And we see a world and we've seen a world now for the last four or five years which has only, I think, gotten worse, or better, depending on where you sit, but I think it's worse for independent producers like ourselves, because major media conglomerates control all the means of distribution. You see that when you look at ABC and Disney, and you look at Fox and Fox Kids owned by NewsCorp, and even our partners at Nickelodeon, who will now be partnering with CBS; there's very little out there in which an independent can actually have any leverage whatsoever.

And I'm sorry to say that PBS, in which I have my own background, having been general counsel at WNET for several years in the '80s, PBS is trying to play that game as well. It is making it extremely difficult for independent voices, be they documentarians, or in our field, children's television, to get the work done.

So, we came to the conclusion several years ago that one of the things we needed was to own some means of distribution. And we knew that the only way to do that was going to be partner with somebody who knows what they are doing, since we don't know, frankly, how to run a cable channel. That is a very complex world in a land of major media giants.

So we went out and, I think, talked to every major media company in the world, and held sort of a beauty contest, which was quite astounding, to see who was more together than the next. And trust me, it did make me feel better that for-profit organizations are certainly not better organized, despite what they say, than most not-for-profits. When we went around the room in a meeting with Time Warner, I specifically remember a big lecture they gave about synergy, and then they were introducing themselves to each other, "Oh, I didn't know you worked at Time Warner!" That was one of highlights of doing this kind of work.

But we did talk to everyone, and we did find a partner in Nickelodeon, which was coming at this from a different point of view. They had created, and I think have created, the biggest franchise for children's programming, certainly in this country and in certain parts of the world. And they were looking to expand into the educational arena to see whether there was a place in which they could carve out a niche for themselves, because I think they believe that there was something to be made there in which their expertise in marketing could help actually teach some positive lessons, and probably make a few dollars in the process as well.

We were coming at this from our point of view, which was, really, "we've got to have some means of distribution so that we're not beholden to all of those media companies" that I described before, who are really dictating the terms of trade in the kind of oligopolistic market that exists today.

So, we created Noggin, which is a twenty-four hours a day educational kid's channel that is noncommercial. It is filling, we think, a big need and has the potential to fill a bigger need. It includes programming and branding and technology convergence online in television. More kids will see this thing online than they will on television the first few years. We are at four and a half million homes right now, and God willing, we'll be up to nine million if we can close a certain deal by the end of the month with a direct broadcast satellite, and then, I think, we will grow from there.

But it's a tough slog, and this is something that I can assure you, we certainly believe there is no way we could have done this ourselves without a partner who is in the cable business, who can use the leverage, in their case, of MTV Networks and of Nickelodeon to make Noggin happen.

So what I would like to do right now is show you a small piece about Noggin that takes its inspiration from our real life experience with kids. Those of you in the audience who are parents will know exactly what I am talking about.

*[video]*

I think that gives you an idea. It's cool to be smart. This is a value which we are trying to put out there, and so far the response is terrific. It's a battle for distribution and competition with a lot of other competing cable channels that feature tractor-pulls.

The only other thing I will mention now, and we can come back to this later, in terms of lessons of what we've learned I think the critical thing is that you have a sense of shared values with your partners, and I think there was a little bit of skepticism between Nick and us, "Can we live with these folks? How long is this going to last?" And I think we met very early on at a good place and figured out that we want to build this together and understand that there's also a middle ground that needs to build almost a life of its own.

When two commercial entities like ABC and Hearst get together and create the Arts and Entertainment network, for instance, that network at some point needs

to build its own raison d'être. To some degree that is what Noggin is doing now, and we're supporting that fully. Because we do think that it is doing what we ultimately set out to do, which is to fulfill CTW's mission about educating kids using the media and providing a distribution platform for shows that we produce and for shows of other similarly-minded producers, of trying to use television for something positive instead of being part of the problem.

The last thing I'll say is that the relationship needs to be a win/win. I don't believe that you can have a situation in which a partner feels that they're really not getting enough out of this. If something is too good to be true, I've come to the conclusion a while ago that it is too good to be true. And I think that in Nick's case, or in America Online's case - we're working with them - they've got to feel like they are getting something to fulfill their own mandates.

As long as they can meet you on your turf, and as long as you are certainly being clear about what you're setting out to do, and you're being consistent about your mission, you can make that work.

I think I'll stop here now. There's a lot more we can cover later, and I thank you.

**Carr:** Good afternoon. Alberta also admonished us not to make what we do sound like an advertisement, so I'm going to slightly alter her request. I'm going to tell you what we do and it might sound like an advertisement, but I'm also going to tell you the on-the-street problems that I'm facing in trying to achieve the vision I'm working on.

I was running the American Symphony Orchestra in 1995 and became aware of what I thought was something big, called the Internet. It was before there was an AOL, and before there was a Yahoo, and before there was e-commerce or Amazon.com. But it looked to me like a pretty good thing. You had a lot of arts organizations out there that had lots of content, lots of programs; didn't have budgets to market their events, and there was no real national magazine for the arts, no cable station that really could speak to arts organizations' needs. But here was a medium that was evolving that could possibly be the greatest opportunity we've ever known for arts marketers, because the price of publishing was basically free.

So, if you could aggregate an arts audience all in one place, and provide them with the kind of information that they seem to want, you could get them to go to arts events where today they are choosing to go to the movies or go out to dinner. I know from my marketing research with the orchestra that the single reason why people said they didn't go to an arts event is because they thought they needed to know more about it. They were unsure of their own decision-making ability so they stayed away. When push came to shove, you know, Shostokovich symphony was much more threatening than Pokemon, and so they didn't go to it.

However, when you gave a five minute explanation, or a two minute sound clip, then they said, "Oh wow! Is that what Shostokovich sounds like? I would like

that." And they would go, and they would like it.

So I came up with the idea of creating a national cultural and arts site. I figured that the Web was going to grow up and turn out to be very much like cable TV. There were probably going to be massive sites that were going to aggregate huge numbers of eyeballs and audiences, and then everybody would have a site. There had to be, it seemed obvious, a big art site, and I was determined to create it.

And I did so at the beginning by working for the American Symphony and doing it at night. Then, early on, America Online had a small investment fund, and they put some money into it. And that was only three and a half years ago.

What has happened, where we are today, is that the site is called CultureFinder.com, and I would guess many of you have never heard of it. We haven't spent a dollar in marketing. We do about two million page views. We get about two hundred thousand visitors a month, but that's because we have some pretty good distribution on the Web. We haven't started spending any marketing money.

However, you may be surprised to know that the site offers a cultural events calendar that has season schedules for three thousand and nine arts organizations in fifteen hundred towns and cities around the country. You can search the event listing, there's about three hundred and fifty thousand events. You can search them by date, by city, by time, by genre, by artist organization, however you want to search. You can plan your trip to Chicago three months from now, because you can find out what the Chicago Symphony is doing. It is an incredible resource.

We've added to that an online ticketing capability so that with the click of a mouse you can actually order tickets on the site itself. We draw people to CultureFinder.com on the Web; we also have a site on America Online.

But there is a second part of our world. We actually distribute the data out to all of the big Web sites and Internet media companies that you've heard of. So, for instance, we're partners with Yahoo, and Lycos and Snap and Infospace and Infoseek and Media One and Road Runner, and you name it. We have partnerships because when you're putting together a site, we get an e-mail, probably two or three a day, that starts like this. "Dear Mr. Carr. We are putting together a portal site for southern Florida and we need weather and news and sports and we need entertainment. We've got movies but we really need arts. We've heard you're the way to get it." And of course we're the only one who is doing it.

And today we announced a partnership with Digital City, which is America Online's local arts and entertainment, a sort of local guide, in sixty markets, that America Online feeds to its members. They have essentially subcontracted us to provide all of the events listings for Digital City, plus a weekly events recommendations list provided by us, plus online ticketing in all of their markets. We're going to do something like four million page views of our data on Digital



City in the next year.

So when you combine the audience that comes to our site, plus the distributed audience, we reach you know, how do you get the information? I have a staff of largely unemployed actors and dancers, or partially employed actors, dancers and musicians. People who love the arts and who work full- and part-time for me. We have eighteen people who spend their entire day typing in season schedules that come in, and press releases that come in from art organizations all around the country. I have two people who spend their entire full-time calling arts organizations prying out of them their schedules. You'd be amazed how many people don't send them until the third phone call.

We've learned a couple of techniques. The best one of all is that we actually fax the schedule listing from last year. And we say, "This is the schedule that we have up on our site." That's an instant winner. The phone call comes back in a minute in a half. "What do you mean? That's wrong!" "Yeah, of course, we've been calling three times the last week to tell you it was wrong." But when they see it in front of them

In any case, we have managed to find an audience that is seventy-five percent women. Those of you who want to know who makes the cultural decisions in the household? It's women. The ticket buyers, seventy-five percent of them women, a third have kids living at home, they take six-plus domestic trips a year; it's an educated, affluent audience of people.

So the business is the vision, and Alberta asked us to talk about what the vision is. Well, I started the company figuring that I wanted to be sort of first in line as the new media business expanded. I wanted to be the flag-bearer for the arts. When streaming video and streaming audio become something that is obviously needed in every home, we will do it. We will have a video clip of a local symphony performance or a Broadway show; or an audio clip on perhaps a lecture, or five minutes of a discussion, so that before you go to the art exhibition you can hear something about it. Right now we do text and pictures. And let me tell you, that's already hard enough.

So, I wanted to essentially be in the right place at the right time and be talking to business partners in very much the same way that Gary is doing. We're out looking for partners all the time. Oprah Winfrey and Gerry Laybourne, who created the Lifetime Network, have a new channel for women called Oxygen, which isn't launched yet. It's a Web and television station, and we are their arts and entertainment partner.

So, the goal on one side was to amass a huge audience of arts patrons and make going to arts events really quite simple, and in fact, to lure people who otherwise might not go to the arts to decide to do so, because it's only one click away from looking at a movie review.

All that sounds maybe like an advertisement. The tough part is that I came from the arts, and I set up the business thinking that, gee, if I was one of you I'm

coming from the arts business, I set up a business that is wholly involved with helping arts marketers put more bodies in seats. We figure that at least a third of all seats go unsold, so, if we are in the business of helping you sell your seats, then you'd think that the arts community would flock to Culture Finder and say "Oh my God, we want to work with you." By the way, we don't take a piece of the ticket. We charge the customers a \$4.00 service charge per ticket, so the arts organization gives me a ticket for \$25.00; we sell it and they get \$25.00 back and the customer pays a service fee. So we make our money not from the arts organizations but from the customers. We don't charge for the listings. All of it is free.

When I was running the American Symphony, I very rarely talked to for-profit companies. I was pretty turned off by slick marketing. I was turned off by sales people. I talked to and trusted people in the not-for-profit world because we were brethren.

What has turned out to be the case as I've begun to build Culture Finder is that we've turned into one of them. We call arts organizations, and they treat us like Ticketmaster. They are distrustful. They don't necessarily listen. They hear me say, "Look, we do two million pages, and we'll put your season's schedule on and all you need to do is fax us a schedule and give us some tickets, and we'll send you the money within two weeks, and it's all as easy as pie." And they come back and say, "Well, you know, we've talked about it internally, and we're just too busy. We just really can't. The box office is very, very busy, and we just don't have time."

And indeed, I'm giving you, obviously, I'm pulling out examples, but just here in San Francisco yesterday, my arts industry relations manager - who, by the way, I stole from Channel 13 - met with a major producer of events here in San Francisco who revealed to her that twenty percent of all of the seats go unsold. And she said, "Well, will you allocate tickets to me?" He said, "Nope, not until I'm sure that it's going to be worth my time." And she said, "Let me understand. We're aggregating an audience. We're promoting, we're all over the place, and all I'm asking you to do is make a phone call or send a fax. There's no obligation. You can have your tickets back at any time. Is that what you're saying to me is it's too much work?" And he said, "Yes, it is."

So what I want to say in my last one and a half minutes is that's not pervasive. Just like everything in life, ten percent of arts organizations are all over us. The Drama Department in New York City, and the Jean Cocteau Repertory Theater, we're selling lots of tickets. They are all over us. They get it. We do great work. The New York Philharmonic sometimes comes through. But a lot of arts organizations are on the sidelines, and I think we're trying to assess what has happened. I'm trying to build something that is for and by and of the arts.

And I think that the answer is that to the arts organizations we maybe have not done a very good job of presenting ourselves, and making them understand that what we are doing is in service to them and the customers. Ultimately, they're going to benefit by getting new customers.

And what I wanted to say today is that I am looking to forge partnerships with foundations. I would like to partner with foundations to where you might be able to give money to an arts organization to be able to do Web activities for Okay. Well, we'll talk about it some more. I've got a whole lot of other ideas on that topic.

**Anderson:** Well, I'm going to slow us down a whole lot. I'm going to take you into a very different venue of what we're about. I'm going to tell you that I live in a part of the world graced and surrounded by some of the most beautiful mountains there are. I'm going to introduce to you the "R" word. I have yet to hear it since I've been here for two and a half days. Rural. Wow! And so I'm going to tell you the scenario that we work in is a bit different.

I was listening to people discuss their driving in on the freeway, etc., etc., and I'm thinking, yeah, I've got that same problem. My biggest problem is there's going to be a deer that's going to run into my car about 11 o'clock at night, and kick out a windshield. Or worse than that, a 600-pound bear will take out the front end in a minute. Or a wild boar, who is always mad about something, will not only take out your car, he will take you with him. And so that's what I worry about when I travel around at night.

Handmade in America began as a response to the economic disparity of North Carolina. We have a Piedmont area just thriving, rollicking and rolling in a great economy. We have the great Bank of America standing tall in Charlotte and jumping across the country. We have all kinds of research triangle parks and wonderful biomed centers and so forth. And we have a lot of poor rural areas and poor rural people.

What we wanted to do was to develop a strategy of economic development that would be sustainable, that would be safe for our environment, and that would help communities develop, to let local forces be the focus of developing a vibrant economy.

We established a 20-year plan; we were real brave. We did it based on the assets of our region. We have a goal that at the end of our twenty years we will be the center of the handmade object in the United States. A little pompous, but you've got to think big out there.

We decided that we would determine our marketplace the very first thing. We did an economic impact study. In a very rural remote region of our part of the world, arts represent 122 million dollars a year. I'm going to repeat that. Where you're from, that may be peanuts, but that's big time where I'm from. A hundred and twenty-two million dollars a year. Four times the amount of Burleigh Tobacco, soon to leave us. Eleven times the county's total manufacturing wages.

How do you give value to the undervalued? In our case, the handmade object. And that was our problem.

We decided that we would do it in a way that infused crafts into every aspect of

our lives, that it never set separately out here on a shelf. It's infused into our education system, we infuse it into our economic system, our cultural system, our environment. That was the way we decided we would do that, and I've been hearing a lot of discussion today about THE arts, THE economy, and I'm thinking, whoa, whoa, whoa, guys! They're all one and the same! Put them together.

We decided that we would be very different as an organization. You're only gifted once with the opportunity to start something. Most of the time you inherit something. Right from the beginning, we wanted to be very entrepreneurial, very different, very enterprising.

We have a very diverse board. I have 40 board members, four boards because we do so much stuff. It's the meeting of the suits and the sandals, and the ties and the tie-dyes, and it is absolutely totally creative, and even better, they like each other. They revere each other. Our board retreat is Friday, one hundred percent attendance, and they cannot wait to see each other. It's magic sometimes.

I want to share with you three things that we have done so you can see the uniqueness of the partnerships and how we've tried to blend the for-profit and non-profit together, remembering that we have no corporate entities anywhere in our region. Scratch that one. We have no corporate banks anywhere. Scratch that one. That sucking sound of the east is Hugh McCall sucking it that way instead of sending it back this way. Not for us!

So what do you do? You take what you've got, and you find your friends where you can find them.

The first thing we did was look at our economic impact study, which told us that 67 percent of all of our objects were bought by visitors. One of our resources is 20 million visitors a year. Use it. Use it, use it, use it. I didn't have to go out and find that marketplace; it was coming at us.

So we developed a system of craft heritage trails. This is the second edition, published. We sold the first one out in eleven months which scared the liver out of me, never having published more than a brochure in my life. We've now sold over 35,000 copies of *The Craft Heritage Trails of Western North Carolina*. It is the first endeavor for cultural tourism for the state of North Carolina in a systemic way. We have as our partners in it, obviously, studios, shops and galleries, bed and breakfasts, restaurants, heritage sites and so forth.

So after two and a half to three years of our travels and adventures, what have we done? We found that 94 percent of those visitors buy an object while they're on the trail. We have found that 42 percent have spent over \$200 to \$300 while they're on the trail. We have found that 82 percent of everybody on the trail's incomes have risen anywhere from 15 percent to 27 percent in a three-year period. The best part is that the craft community has controlled it. We did not turn it into a tour of tacky-tacky souvenir shops. It is in their studios; it is them that work; it is the interaction between the visitor and the craftsman, the maker of the object, having a great understanding about creativity and ingenuity and

beauty and design. So we knew that.

Now, what do we get out of that? We partnered. We partnered with the travel and tourism industry. That was interesting. They're extremely competitive, those folks are. Whew! And they have a certain way of defining it, and they have a vocabulary all their own. This was "heads and beds," "product." New terms for us to think about, new ways to interact.

But they had something we didn't have. We didn't have a dime to market this book. I must say it's a skilled knowledge. They had all of that! They had the money and the knowledge, and they knew how to do it. Eight national magazines, 14 travel and tourism magazines, CBS Sunday Morning, Discovery Channel, Burt Wolfe and all of his travels. They did that. I didn't do that. But they had a new product. They had something to offer a visitor so unique and so different they could sell it.

So that's how that came about as a way to do it. And I guess what we did was to give some value to the undervalued so that the rest of the nation came seeking it.

What that also gave us was a little bit of knowledge of how to go about another guidebook. Because we found that the visitor loved the small gardens that the craftspeople planted for their dyes and so forth. So we're now into our second adventure of the Garden and Countryside Trails of the Blue Ridge.

The foremost hobby in the United States is marketing. I mean, excuse me, is gardening. [laughter] It may be marketing, too! It's our hobby. But that's where they are. So how do you take that handmade object and intersperse it in the gardens and intersperse it on the trails? That's how you begin to develop it. That gives you a whole new set of partners out there. The Department of Agriculture. The cooperative extension. Farmers' markets. Private nurseries and beautiful garden shops. So that's the way we went about it in a place that lacks a corporate entity.

Then we decided to do another one. If you're an entrepreneur, you've got to investigate everything you can do, and you have some other ways of going about it. Studio incubators. How do craftspeople get a start, and how do they really become good business people as well as makers of objects? We have decided to put a series of studio incubators together for them. Our first one is under construction now. Incubators for glass, pottery, and greenhouses for medicinal plants and native plant materials being wild-harvested out of our mountains. It came to us through a partnership with the Soil and Water District for resource preservation. We just happened to have sited it on a landfill using the methane from the abandoned landfill to fire the furnaces and the kilns and to heat the greenhouses. Guess who really loves us? The Department of Energy. Guess who really loves us? The sustainable development guys. Guess where our funding has come from in a unique partnership? We are busy now exploring the rights to sell our kilowatts off our landfill to Con Edison in exchange for some money so that we can finance the next set of greenhouses and incubators somewhere.

And finally, a last example of a very unique partnership. A weaving program for women in a rural region so remote that the road literally goes to nowhere, where women are being trained to weave for and with the Organic Cotton Growers Association. We are now weaving linens for all those wealthy homes in Atlanta and Charlotte and Cincinnati that are dependent upon environmental design and so forth, and they love to pay that money for that.

So what we have done is take the very oldest tradition of craft, that of weaving, and turned it into one of the more high-tech entities, training 15 women in a county that has not one daycare center, not one care for the elderly center, how to work at home using the Gandhi spindle. Wouldn't he be proud? Thank you.

**Lyons:** Good afternoon and thank you. I think I'll start by telling you that I get to wear about three hats. I have trouble with that word "rural" however. I think of it as civilized. I spent most of my life in New York City, and now I live in rural Colorado. But I have three hats. One, I sit on the Colorado Council of the Arts, so I have a broad view of the state and the opportunities in the state. I'm the executive director of a foundation in our county called the San Juan Performing Arts Foundation which funds quite a few local and regional arts organizations. And I'm now the director of a new facility that we've just acquired, the San Juan Arts Center. So I want to speak to you about how those things work together.

I think the most important thing I could share with you is that the arts are becoming an important and vital part of our community's identity, of its view of itself, and we have managed to demonstrate that the arts can be part of a short and long-term economic strategy for the county's economic survival and for its identity.

The kind of industry you want to bring in, the kind of people that we'd like to bring into our community, the kind of tourists that we'd like to attract, are beginning to be driven by the new arts center. So the hotels are looking at us. Since Colorado doesn't have a tourist industry from within the state - there's no support from the state - each county has to figure out how they're going to bring people into the region.

I live down near Telluride, so that's a little easier because they spend a fortune bringing everybody into Telluride, and we're making a partnership with them so that we ride on a piece on all of their literature. They spend 2.7 million dollars a year advertising Telluride, and on the bottom of every page that goes out, it says, "By the way, visit Ridgeway. Come to the San Juan Arts Center." There's no way we could buy that national publicity without that partnership.

This all started five years ago, forming a theater company, a county chorale, and improv groups in a little theater that happened to be renovated and opened about two months after I moved there. I didn't know this was coming up; it just showed up. And we put a board together and took over this facility and began the process of funding the theater company, funding the community chorus and funding the improv groups. And it has grown ever since very successfully, funding several chamber music events, a theater, a new facility, and movies.

And it's the movies that Alberta asked me to come to talk to you about.

We were having serious financial problems. We have a population of 450. Big towns. It's getting a little crowded. You forgot to mention the porcupines late at night. Our county is 3300 people. Next to us is another county, with 130,000 people; Montrose County.

I was sitting in the movie theater in Montrose County one day saying, "Well, why don't we have one of these?" And it dawned on me that we could. So I went downstairs and talked to the owner of the theater, and we created a partnership called the Second Sunday Cinema Club. Every second Sunday of the month, we take over the theater, and we bring into the theater whatever movies we want to bring, which are usually the movies that would never come to Colorado. He brings *Titanic* and *Star Wars*, and we bring *Tea with Mussolini* and *Life is Beautiful*.

And we've brought 38 films there now, and that's our largest money-maker in the county. That movie club makes more money than all the other arts organizations in the county dream of making, because we bring about 400 people to 500 people a week - a month, rather, every second Sunday, although now we've just expanded to twice a month.

As a result of this partnership, we've been able to take all that money that we made in collaboration with the movie theater, which partners on the advertising, partners on the ticket sales, partners on the candy sales, and partners on the costs involved in acquiring the films, and turn it back into all of the arts organizations in our county. In my opinion lessening the burden that they all have. Because the arts people are learning that perhaps there are ways of sustaining themselves within the community and seeking outside help in a more minimal way, rather than looking to the Colorado Council on the Arts, which can hardly support all of the arts organizations in the community; or looking to all of the arts organizations who are here for their funding. Because a lot of you don't even look at rural Colorado as a possibility, or rural anywhere as a possibility, and this is a problem.

So what is an adaptive strategy that a local community can make for itself so that it can sustain the vitality of the arts in its program? Now we acquired in July this building from Dennis Weaver - it used to be his dance hall. Remember Chester? That Dennis Weaver. He built this earth ship out of tires and cans in Ridgeway, a wonderful gentleman.

So he made a big donation of a portion of the cost of this building, we took it over. It's got a restaurant, a 450-seat theater. And now what do we do? We put in a movie theater.

So we again partnered with the very same folks we've been working with for two years to fund this new theater. A movie theater costs around \$40,000, to put in the projection system and the screen system, and they're going to put that up. And they're going to put that up because we can't. But because of that, we'll be able to have a constant community resource of dollars plus drawing people into

the facility so they'll notice that we've got string quartets and theaters and rock and roll bands and blues concerts and social events. And we've become a really vital part of the community's infrastructure.

So much so that I ran for town council last year and won. Thinking that this was going to be an interesting place to be, so I would have a feel of the community's relationships to the new center, and finding out that the new center is identified as the community's real opportunity to grow and expand their culture.

We had one fundraiser. I'll just share this quickly with you. On Friday the 13th of August. The prior week, we put a notice in the paper saying that we will be open all day to accept checks. In one day, we raised \$64,000. So the next day, the paper said, "What's the \$64,000 answer?"

So we thought I mean, you have to realize that that's a lot of money in a small community, and what really tugs at my heartstrings is that there were 214 donors, but the majority of them were under a hundred dollars. People showed up from all over the place. A little teenaged boy ran up to me and said, "This is great! I have to give you money!" So I took him over to the donor table, and he reached into his pocket and took out two wadded-up one-dollar bills and put them down on the counter. And I said to the chairman of the board, "Now, be sure to give him a receipt." So he's running around with his two-dollar receipt. And I think that's what the arts are really about in our community, engaging the entire community. We couldn't do that without our partnership with the movie theater.

We're about to enter into another partnership with a major restaurant because we have a restaurant in our new facility. So we'll have all this unrelated income from the bar, which pays for a lot of everything, by the way. If you can open a bar in your arts center, please do. After the tickets, which may or may not pay for the band, a bar pays for everything else! That's a little secret on the side. Really true.

So we are entering now into a lot of partnerships. In fact, we're so successful that the Region Ten, which is the Small Business Loan Association, just loaned us \$100,000 to acquire the facility, so we have actually what you're talking about here a lot; that is, we have debt. We couldn't do that without the partnerships that we have with the movie theater company, and with the restaurant company coming up. And there's more and more of them coming up online.

So I really encourage you to encourage all of your constituents, your clients, to rethink the way they operate and the way they believe that they're isolated. We've become a culture that has all kinds of diversities.

Children don't know too much about art, and they know very little about the cultural memorabilia that we hold so sacred. It doesn't have that meaning for them. I taught at Juilliard. I conducted the Rochester Philharmonic. These children in my community have never heard a Beethoven symphony, and they don't even know where Rochester is. So there's not, between the two states on the corners, too much going on. So partnerships, relationships I found out that all the people go to the movie theater. All of them. It's the only place to go.



Everyone goes to see one of the five or six cinemas in the big town, and because they're all there, and they see our name there and our programs there and our flyers there and our leaflets there and our partnership there, they come back to say, "Hey, what's going on at the Center? Any good concerts coming up?" And there's concerts from the blues to the violin. Everything's available to us.

So I'll leave you with that because I think it's an important strategy for us to think about, and it's a really important way for arts organizations to create for themselves an identity in the community that is durable and sustainable and vital to the community. Thank you.

**Arthurs:** We've presented a wide variety of enterprises here, and I just want to take a minute or two to think about what we can learn from these four very, very different undertakings, and then I want to address one question to the panel and then throw it open.

I hope that others will have ideas to add to this, but the first thing that strikes me, the first thing I see, is that we have in front of us four people who are *founders* of the enterprises that they've described to us. It is, I think, an era of new ideas, and people like this are going to make things happen that we may not have imagined before.

Secondly, all of these enterprises were actually made possible by for-profit resources. I'm struck by Gary's statement that he couldn't have taken CTW to this next step, this next reach, without a commercial partner. I don't think that can be said quite as dramatically by our other enterprisers, but maybe they would agree to those terms.

Thirdly, all of these enterprises and these founders have fundamentally active ideas about the arts. They think about how to educate through the arts. How to advertise through the arts. How to build skills, how to stimulate communities; the arts are expected in each one of these cases to activate things. A little bit different from the attitude about and for the arts that has been expressed, perhaps, in the past.

And finally, I think all of them speak to meeting real needs in the society in the very enterprising ways in which they are going about it. That's what I see here. I'm struck - I hope you are as well - by the very, very different ways in which these imaginative, enterprising people have undertaken these things.

And in that spirit, I'd like to turn and ask each one of you, in just a minute, to answer the following questions: What did or what could foundations do, or what might they have done, to help you? Or what are they doing to help you realize the visions that you describe to us? Should we start as we did before with Gary?

**Knell:** Everybody get out their notebooks. I think there are still some things which commercial interests will *not* partner on. And in the world of kids' television, for instance, right now there is a glut of preschool programming, internationally as well as domestically. And one of the reasons is that people

think - this is not necessarily true - but people think there's a merchandising bonanza behind every character that is invented on television.

There is a real need, I think, for older kids' programming, for six to eleven year olds, that teaches something, because I think we live in a world in that area which is being dominated by much purer sort of entertainment-type programming. Not that there's anything wrong with that, necessarily, but I think you do have to have a balanced diet. And I think that the creative community, certainly, in television and online, could be doing more in terms of education, using ways of engaging kids through educational programming, in really creative, wonderful ways if there were more opportunity.

The commercial interests don't see that, however, because kids age seven don't buy plush dolls. They are aging much faster, and if you follow some of the industries that we have to follow, like the toy industry, kids are growing out of these toys very, very quickly. And by the time they're nine and ten they're into the Gap and they're into Eddie Bauer and everything else.

And what we see is a real need out there for older kids' programming; older in our context is six to eleven year olds who are being left out, we think. They're not on public television which is not funding those programs as much as they should. And they're not necessarily even on our partner's Nickelodeon. Educational programming is being ghettoized as preschool programming, which is important, but we also, I think, have an obligation to provide work for older kids.

I think it's true, also, for online. We think that other than just homework help, there is a place where online and interactive media can move. We haven't even begun to scratch the surface of how kids can interact one-on-one to learn things. And our public schools keep having traditional problems - I was just struck reading *The New York Times* that some of the test results in Westchester County, where I live, show that the same schools that were rotten 30 years ago are still rotten! I mean, it's amazing! And you look at these reading scores, and you just say, you know, this is not progress. And something is wrong in our schools.

We think technology is not the silver bullet, but it certainly can be part of the solution. And if a kid can learn better from a one-on-one experience through technology, and through an interactive, creative media that he or she can relate to, those types of things need to be supported. The seed money for those things is not necessarily going to come from commercial interests, and that's an area in which we think foundations could be supportive.

Gene pointed out the Markel Foundation support of Oxygen, and I think this is a terrific model. Oxygen just got three and a half million dollars from Markel and another million dollars for an experimental fund for the purposes of conducting and making public the results of broad longitudinal and topical research on information needs and attitudes of women. They will create a new kind of loop in which the audience research can directly impact the online and cable programming that Oxygen will then be presenting. So it's a new way of looking at interactive media, and that's something that I think the foundation world could

step up on and really support.

**Arthurs:** Gary asked me before this panel started, just by way of information, where he could go to learn about curricula experiments, curricular ideas as they might relate to media Internet offerings. We haven't got much to offer, and if this kind of educational venturing, this kind of educational visioning, is going to go on in these new media, there's probably a lot of room for foundations to help develop research as well as provide direct support of the kind he described. Gene?

**Carr:** I have two thoughts about what foundations might be able to do to help.

First of all, one of the real reasons I wanted to be here today was to communicate to you in a very direct way about what we're doing. A lot of arts organizations, probably every one of them, says they want to sell their tickets online, but not a single one of them needs to develop any technology or spend a dollar. All they have to do is spend the money that it costs to fax me, and suddenly they're selling their tickets online. Many arts organizations literally put the link that exists on our site on their site, and suddenly their site is technology-enabled. We do all the transaction processing; we charge the customer; they get the money. And so if you get a proposal from an arts organization that wants to spend a big boatload of money, and you know they can't afford it, have them call me.

Secondly, though, is a bigger issue. I have been rather a bit disappointed by the trade associations that serve the arts community. I won't name names, but one of the big ones is having an association meeting. Four thousand or so people are coming to New York, and they asked us to be a sponsor. And one of the benefits of being a sponsor is that you can put a tchotchke in the bag that the people get. So I abhor these things; I think they're horrible: squishy dolls and water, and it's a god-awful waste of my money, and nobody is going to take it with them when they get home.

So I sat there and I said, what could we do, if we're going to spend \$2,000 on some tchotchke, what could we do? And we said, let's have a challenge grant. Let's put up \$2,000, and let's give it away to two arts organizations, and let's ask that trade association to match the money, and for people who come up with innovative ideas in marketing, we'll give them a grant of a couple thousand dollars. That's probably the best way we can communicate what we're all about. The trade association turned it down. They turned it down, and they said, "No, the only thing you can put in the bag is a tchotchke." So we're doing a squishy ball. I had to be there! Everybody else is there; I had to do something.

Now, the point is this. I think that if Culture Finder's mission, our business, is marketing the arts, if we're in the business of aiding arts organizations and helping them market, one of the problems is that we talk to marketing directors all the time, and they don't really have the educational background. They haven't gone to business school, not that that's a panacea, but they've been in their jobs two weeks or two months, or they've changed jobs. Their bosses don't know. And they're making the same mistakes over and over and over again. Once a year they

get together in trade associations, and by the way, they only send the top people to the trade associations; it costs too much money.

So I had this idea. Why don't we start doing regional arts marketing seminars all over the country? We'll send our staff. But you know what? I can't afford to do it. I can't afford to do it and pay for it. And frankly, to even do it and make it break even, I'm going to have to charge them. I'd like to have you pay for them to come to my seminar that makes no money for me but educates them, because I figure at the end of the day, they're going to build a relationship with me, they're going to value the relationship they've gotten out of the marketing.

We just spent \$40,000 last week in market research about the arts market. My big funder, the people who have public and private partnerships, our biggest funder is Comcast, which is a cable operator, one of the big cable operators. The chairman of Comcast is a subscriber to the Philadelphia Orchestra and is on the board of the museum in Philadelphia. Loves the arts. They've given me enough money that I can go out and do the kind of marketing research that I could have only dreamed to do at the American Symphony.

And we sat for 20 hours last week in focus groups listening to arts consumers tell us what it is that causes them to go and not go and why. I feel like I've got a tremendous insight in how to bring people into a hall, the kind that you can't get unless you do really professional marketing. The kind that they do for Gleam Toothpaste and for Dove candy bars and all that. Well, we've got that information. I'm happy to share it.

And maybe there's partnerships between you and us. I come from the business; I've got a creative mind towards doing things that break the mold. I'm neither not-for-profit nor profit; I'm some hybrid thing that's trying to help the arts community. My email address is [gene@culturefinder.com](mailto:gene@culturefinder.com), and if you go to the site, you'll see my bio is there. So I would love to speak with you afterwards or see which foundations might like to partner with us in doing this kind of thing.

**Arthurs:** Becky, foundations? What have they done or might they do? What should they do to help your kind of enterprise?

**Anderson:** I don't know. I'm recuperating from him. He's got so much energy flowing in this direction!

**Carr:** I'm tired today.

**Anderson:** I'm telling you, he's on it. He's just on it. New York.

What I would like to, first of all, say, is that it would be very remiss of me if I didn't say that a foundation started us off, and I am totally appreciative of that because we were truly nothing but a gleam in their eye. We were not an organization. We were not connected to anybody with long-term longevity. It was the risk-taking of a foundation, the Pew Trust, that literally started us on our path, and I'm eternally grateful for that. And I think that has always been one of the missions of

foundations: to be the risk-taker, to say, "We'll take on an innovative idea," and so forth. So I think that should, one, be something that should continue.

I guess if I were to look upon some other things that I think it would be great for foundations to do, actually, they could act as venture capitalists in a way that is long-term. Long-term or multi-year support is exceedingly important. It's the way all the small businesses survive. Fifty percent of them never make it past the first year and a half or two years - why should non-profits be any the less? So when you're thinking of funding, look at it on the long-term investment, three to five years. We had a long talk about this, this week in Colorado Springs with a series of foundations. Find your niche and fund it so that it is truly sustainable.

And I guess the third one is - and I'm so weary of this - we always hear that the arts have got to be more business-like. Well, one of the reasons they may or may not be is that they are not recognized as a business. And I'll give you an example from the world of craft.

We don't know the economic impact of craft in this country. I think it's somewhere around 40 to 45 billion, probably, just based on what we know where things have been studied. There's no way to verify that. The reason we'd like to see an economic impact study is, yes, we'd like to tell the nation that, yes, we'd like to give some value to the undervalued. But what we'd really like to do is establish the handmade object as a viable business.

Right now, a potter, working in porcelain, is classified as a toilet-bowl maker. There is no Standard Industrial Classification code. The first thing we'd like to do is take this figure to the United States Department of Commerce and the U.S. Treasury and establish a Standard Industrial Classification code for the world of the handmade object.

With this in mind, one, they can then get a business credit card. Hello! Two, they can get Workers Comp. Hello! Three, they can then begin to work into job training situations that states provide, apprenticeship programs and so forth. But until you have that recognizable identity as a business, you are not eligible for any of it.

So why is it an underground market? Why is it done in the backroom? Because nobody will let it go to the living room. And when we do, you will be amazed at the world of how business and art meet and how they succeed.

So I think these are things that foundations need to support us in our endeavors. You need to help us be the spokesmen for it. You can fund the study, that would be wonderful. But you need to think, this is how we establish this on a plane that survives and is sustainable.

**Arthurs:** Joseph?

**Lyons:** Wow! That's awesome. That's awesome information.

I think there's an element missing from our relationship. I'll speak only from my view on the Colorado Council on the Arts since the governor expressed his sense of humor in appointing me to that council. And I say that because the council is mostly a political relationship, and I'm the only living artist in the group. And I think that speaks a lot about the view that these folks have.

In the last two years since I've been on the council, I've read basically every grant application that's come in, and that's quite a lot in the state of Colorado, and I've never seen one single example of a relationship between an arts organization and a non-arts organization. I think that's dreadful.

In our little foundation, we have a requirement that a partnership has to be established prior to your grant application being submitted. You'd be surprised what kind of partnerships suddenly appear, with grocery stores and clothing stores and hotels and motels and the hot springs. And all of these arts organizations are now turning to the entrepreneurial businesses and established businesses to say, "Wait a minute. I can't get any money from these guys if we don't have a partnership. What can we do? What are we going to do together? How are we going to make this work?" And the businessmen are saying, "Hmm, well, what's in it for me?" Which is what the arts organizations are having to answer.

You can only go to Wal-Mart or City Market or Alfalfa's or whomever is the large organization in your community so many times for 15 dollars worth of napkins. That's not a partnership. That's a corporate grant, and you can get plastic spoons and napkins. I assure you, we've had many plastic spoons and napkins in our day. But that's not a partnership in the vital interest.

Now, the next question is what can we do? What can the grantmakers of America do? And I've heard a word quite a few times in the last two days: venture philanthropy. And I also don't know what that word means, but I like it! I think it sounds wonderful. I think it sounds a little bit like what we're talking about. That may not be the only implication of that kind of funding, but I think that there's an important element of grassroots funding.

I'm not sure what would happen in a big city. I think it would probably work for smaller organizations. I know that the New York Philharmonic gets money from Macy's, but they don't have a partnership with Macy's.

So I'm encouraging you to encourage partnerships. You look at the bottom line in terms of donor base, in terms of ticket sales, in terms of community relationships, and in terms of in-kind donations, which are the periphery of partnerships. But are there opportunities for you to encourage and reward real partnerships? Bottom-line partnerships where revenue and resources are shared between not-for-profit and for-profit organizations. I think that would lessen your burden and increase the chance of success of all of these arts organizations. Thanks.

**Arthurs:** You guys have each taken more than a minute.

**Lyons:** Oops, sorry!

**Arthurs:** And it's time for the audience to challenge all of this. But I think you've given us a whole philanthropic agenda. Questions? Sir?

**Question:** I work for a large community foundation in Chicago, and we have looked for these opportunities to fund, and what we've found is that certain people seem to be able to do this - you are clearly four examples, your founders are imaginative. And once a foundation recognizes this, it's easy and very rewarding to support that kind of thinking. But it does not seem to be able to be taught. It seems to be a spark that exists in some individuals, and that's where the foundation can take a part. Do you agree with that, and comments on it?

**Lyons:** I do. I think it can be taught by example. I think in your literature and in your dissemination of materials to all of your constituents, you might tell them of examples and share with them stories so they get the idea. Just saying in a letter, "Establish a partnership" is insufficient. You need to show them how. And what is that famous story about fishing? If you teach a man to fish, you'll find him in a boat with a six-pack? Which I think is very creative.

**Arthurs:** How about Gene's idea of management workshops as one possibility? But let's take some more questions, and then let the panel respond to several at once.

**Knell:** May I respond to that question? You know, we're up here talking about these issues. My company's been around for 30 years, so I'm late in the game. I've been in and around it for only about ten of those 30, but the people before me had to wrestle with this issue of mission versus money, as the way it gets played out, which created a major cultural rift, I think, in the organization and is more difficult than it appears on the surface. These are serious issues, and I think a lot of not-for-profits sometimes confuse that with being not-for-revenue, okay? And I think they're two very different things.

The point is that revenue is important to accomplish the mission, and you know, in organizations, we spend a lot of time, and I think we've sort of now gotten finally centered on this. It is no longer a question of mission versus money because I think people now, the people who are left at least, understand that it's not sort of the cathedral over here and the dirty business people over here. That can happen in organizations, and I think you've got to have leadership at the top of these organizations to really drive home the fact of why you're doing this activity. It's to accomplish the mission, the not-for-profit mission that you were organized and set out to do.

**Arthurs:** Let me suggest that we take maybe three questions at once and let panelists pick up on them.

**Lyons:** Whoa, multitasking!

**Arthurs:** Multitasking. We're learning so much from these people, I can't tell you.

**Question:** This is in reference to the gentleman from Culture Finder. You've encountered resistance from some arts organizations as far as providing tickets. Do you have a fairly good track of selling those tickets when you do get them? And the second part of the question is, do you also represent alternative arts organizations like dance companies, galleries, theaters?

**Arthurs:** Let me take it down. So, record that question.

**Carr:** I got it.

**Arthurs:** Another question?

**Question:** This is to Gary about whether you plan to be an oasis in cable channels. There seems to be nothing on television at two in the morning or even midnight or eleven o'clock, on Saturdays. So how will we be able to address, I guess, content for the voice of the individual? Is there a way to get those voices on prime time?

**Arthurs:** That's a great question. We've got one more question. I didn't realize they'd be quite so targeted. One more question, then.

**Question:** Mine might be a little broader. In our state, we're having a big discussion right now that involves the use of some terms, meaning for-profit/not-for-profit, commercial/non-commercial, that assume if you're for-profit, you are commercial, you are populist, and the other going down the other side, as if there are two clear sides, that if you're not-for-profit you are art. We're having trouble defining terms and defining what the role of state funding should be, government funding, and should it be for things that are commercial and have the opportunity to make a profit, even if who is making the profit is a not-for-profit.

**Arthurs:** The only instance in which that's a question at state level is probably in the arts, because, in every other respect, state funding is meant to be proactively in favor of commerce and economic development. Becky might be able to take that one up, as a matter of fact, because she's done a lot of work with state agencies. So Gene, and then Gary and then Becky.

**Carr:** To answer your question about what we list, we have classical music, opera, dance, theater, Broadway musicals and museums in as much quantity as we possibly can find. I think that if we haven't called every arts organization that exists in the country, shame on us. And we actually have a thing on the site that says, if you know of an arts organization that's not listed in your community, send it to us. So we have the public responding to us, saying, "Why don't you have such-and-such a thing?"

And so you'll go on there and find the most obscure you know, the Amarillo Symphony is one of our best ticket sellers, actually.

So we try to list in great depth because I have a real big belief that the big arts organizations need the least amount of help, and it's part of our mission to feature



unusual things. We do email newsletters each week with recommended events in each of sixteen markets, and we almost always don't feature, you know, Yo Yo Ma's recital at the Chicago Symphony. We feature something that's a little off the mark of the normal.

On the story of track record of selling tickets, it's absolutely mixed. It depends on partnership. If the arts organizations and we promote an event together, ticket sales are great. If the arts organizations do absolutely nothing, and we just throw it up on the site, chances are not much is going to happen.

We find that the most number of tickets are sold by the events that are most well-promoted in the real world. We sell a ton of tickets for Broadway because they spend \$50,000 a week promoting "Chicago" on Broadway, and people know about it, and they buy it. That is where we stand today.

It is my goal that our traffic will increase by ten-fold or twenty-fold, that we will get into a position where we can actually begin to move the market. Right now we haven't. With two million pages, that might sound like something, but it is nothing. We should do two million pages in a day, and when we get that kind of traffic going, I think we can really begin to fill the mission. Stay tuned. I need to raise a whole boatload of money to market the site to get that result.

But to your point, the answer to what's our track record, that often doesn't come into play in the discussion with an arts organization. The roadblock is up for some reason at the very beginning. We're trying to get to the heart of this. There's something psychological going on, and I don't quite know what it is. But I think they perceive us as a big, ugly for-profit that's going to somehow or other take something away from them. Sort of like take a picture, we take something, you know. There's something going on that I need to understand better.

We've only now, after doing this for four years, come to the understanding that there's something, really, there's a distance between the for-profit and the not-for-profit mentality. There's a huge vast distrust, even though my motives are pretty clear. And I'm hoping to figure out ways to forge that and to bridge that, and I have no doubt it's going to take years and lots of failures before we can kind of get it right. And that's where I need your help.

**Arthurs:** Gary, you had a question about content and independent media artists.

**Knell:** Yeah, I'm just thinking about this; your question is also about the not-for-profit, for-profit, the sort of mentality, and the fact is that just to take an example, every preschool program - I think this is true - every preschool program on public television right now other than ours is produced by for-profit companies.

Just to show you that for-profit companies actually can do good and do well, so to speak. And there are companies like Scholastic who are out there doing educational product for kids, and some of it's better than others, but there's a lot of good product there, and they make money, and they're on the stock exchange. I think there is a big distrust and a gap.

Going to the point of the independent voice, this is a critical issue, I think. But I think public television has been underfunded by the Congress and that has made it, 30 years later, beholden to market forces in terms of pledge drives, which we all know are endless; and corporate support. So that it does have to popularize a bulk of its programming and limit the ability for independent voices to be aired.

One can (this is heresy), but one can begin to question governmental support for public television if it gets to the point where it's simply mimicking cable television. That's my point of view.

I think, to draw a contrast, public radio serves a much clearer interest in that it is a distinct service that commercial radio is absolutely not serving in terms of serious news and in terms of classical music in 99 percent of the markets, and in terms of jazz and other ethnic music genres, etc. You can make a better case today about public radio than you can about public television, in my view.

I think the key that went through our mind in creating Noggin was precisely this point, that independent producers are getting squeezed away, and that's why we decided that we're going to make a grand move to try to gather some distribution hold here. And I can tell you that I've been approached by many similar independent producers who are all trying to sell programs and do educational material to join up on Noggin. I mean, and there's actually sort of an underground movement now to create a United Artists, if you will, of the year 2000 for children's independent producers to get together to own their own distribution source.

So there's many more chapters to be written here. But I think it's a critical question, and especially in a world of media consolidation, it's going to get worse, I'm afraid.

**Arthurs:** It's a question that obviously needs to be addressed much more broadly in relation to the new media formats as they come into being, and not only about children's programming but about every kind of programming. Where the content's going to come from, and what the role is for the independent artist and the serious maker.

Becky, you had a question over here about this gap we're all describing between the for-profit/non-profit mentality, if not reality, at the moment, and the other part of the question was about the role of the state in the middle of that. Becky?

**Anderson:** It's a good question. We do have about 25 funding sources, of which a third are state, a third are foundation, and a third are our own earned income from our for-profit sector, and that's kind of the balance we like to keep for all kinds of reasons.

And first of all, state funds have very specific uses, and they're pretty tight on them and so forth. For example, in our weaving incubator, we had federal funds there, and they are for job training. We know that. When these women are finished with their training and begin to proceed forward into developing their

own business, there will be no government funding. Interestingly enough, though, we've had faith-based funding step forward into some sort of a gap there, which is my first experience with that. So you have that to think about too.

We have established 501(c)(4)'s. I have four boards. We are set up like a corporation. I have a parent company and then three subsidiary boards, two of which are 501(c)(3)'s and one is a 501(c)(4). We can accept fees for service and do our earned income activities out of that.

The other way we've gotten around it, for example, for the sale of our energy credits, I have to form a for-profit, an LLC, in order to receive the funds back from Con Edison, and then we distribute them down onto our non-profit arm. You'd better believe we make one lawyer very happy keeping up with us, and wealthy.

But what you really need are people who are not afraid of this, who are not afraid to step out there and establish a new legal organization or a new entity. You know, you have to swallow twice, and I can assure you the IRS guys are out there going, "God, I don't know why we're dealing with that woman." You know? And they're nervous about it, but they're going to do it. Because they need those energy taxes.

**Carr:** The questions have spurred something that I should have thought about a long time ago. I actually have buried inside of Culture Finder a not-for-profit that's waiting to emerge. On America Online - not on the Web - on America Online we operate a site called Extreme Culture. It's a site for teenagers involved in the arts. It's got message boards and chat rooms and contests and polls and kids writing articles and we have chats with celebrities. Last week we had Hilary Hahn on in the chat room talking about her work. She's a 12 or 15-year-old violinist.

This thing is run by a college student who started it four years ago when he was a junior in high school, and he worked for me for six dollars an hour. And when he went off to college, he said, "I want to keep running it." He's a truly extraordinary kid. He's going to graduate soon. I don't have an economic reason to take it on. I can't make any money doing it. I can't sell advertising on America Online for it. And I have two choices.

One is we could fund it ourselves. We could make it a small little entity.

Two is we could try to go get Coca Cola or somebody to underwrite it. I doubt they will.

Three is we could turn it into a not-for-profit. It's got great educational value and essentially could be the Internet center for teenagers involved in the arts around the country.

And that's sort of one of those things burrowed down deep, but you talked about foundation support for a not-for-profit forming a for-profit company. I've got a not-for-profit company waiting to be born, which I'd love to do. And so these

kinds of things bubble to the surface.

**Arthurs:** Well, let me see if I've got this straight. The state won't do that.

**Carr:** No.

**Arthurs:** But the foundations might. Even Coca Cola might. There's a question way back there. I'm going to stop trying to multi-task here and just take questions.

**Question:** We're talking about non-profits doing this work that you want to do. Why can't you as a for-profit support this enterprise you've described?

**Carr:** Because I'm losing a boatload of money. That is the answer to your question, and I don't mean to be facetious. If we were a for-profit company that was making a profit every year, we would absolutely do it. We're in a startup phase where we're losing by design, we're losing lots of money.

**Arthurs:** Learning from you panelists, I realize what you should have said is, "As soon as we are making pots of money."

**Carr:** Probably that's right. But the problem is that it's going to be years before we're profitable, so I need to figure out a way to keep this thing, which I believe in, alive before it goes away.

**Question:** I just wanted to clarify that. I know it's scary when the moderator asked what grantmakers should do. You had suggested that foundation money could go to programming the 6-11 year-olds, etc. That makes sense. But would you say, in terms of the other kinds of activity taking place, that funders should support that? Or should funders only support that which doesn't have a marketplace?

**Knell:** I'm not sure I fully get the question. Sorry.

**Question:** If there is a marketable art form, if your young people need programs that can sell and develop partnerships, but this other niche does not, should the state or foundations be funding only those that do not have a marketable resource?

**Knell:** I think that it's hard to give a blanket answer to that, only because there are parts of preschool education which are underfunded that the commercial world doesn't do very well, such as training childcare providers with educational materials, which is also very important and merits foundation attention.

**Question:** But then, I mean, should you in asking for funds have to make the case that this is not ever going to get funded without foundations?

**Knell:** Yes.

**Arthurs:** And , Joe, you think differently, don't you? Because didn't I hear you say the Colorado Council on the Arts was just about to ask people to define a partnership?

**Lyons:** I wish the Colorado Council would ask that question. No, our small foundation is going to ask that question.

However, while I have the microphone, I'd like to come to the word "commercial," which does not necessarily mean profitable. And not-for-profit, which does not necessarily mean unprofitable. So I think what we're trying to establish in Colorado is, if there's a relationship between a not-for-profit and a for-profit, the state can fund the not-for-profit's relationship and portion of that in some way but cannot fund the commercial entity's relationship.

So if there's going to be a joint venture or project between a not-for-profit and a for-profit, the state, in our state, feels that it cannot put funding into the commercial portion of it, but can on a project basis say to the not-for-profit organization, "We'll fund this portion of the project for you." But what we're going to look at is what's going to happen to the money at the end of the cycle. How is that going to come back to you? How is that going to come back to the people of Colorado? What is the relationship between the commercial and the non-commercial allocation of those dollars, and what are the tax implications of those relationships?

So we certainly have no objection to funding a relationship, but we only fund the project portion that the not-for-profit is engaged in.

**Arthurs:** Can I just suggest here that we're raising a whole complex of questions, starting with yours and going on, that none of us yet have the answers to. But one reason that we have to do these kinds of explorations is that we need to understand much better than we do what the possible protocols might be for these emerging forms - we might even call them art forms - that are taking place as new enterprises and new ideas are put into play. We really don't know what's going to be right and what's not going to be right, and right now, I think our questions and answers illustrate this.

What we've got are a whole lot of one-offs, but we don't have any rules. I don't think we probably want a lot of rules, but at least we need to know where we might run into regulations and *real* resistance, not just the normal resistance and reluctance we experience when change occurs.

One of the things that I think a lot of us are recommending is that we've got to do more research. I know that word had been used a lot this week, but we do need more research; we have to find more case studies; we have to do more examinations of the relationships that have taken place that have worked and not worked. We need a lot more data so we know where the traps and opportunities are and how to answer questions like those being raised here. I don't think we know much yet. There's a question in the back and then there's one here.

**Knell:** Can I just jump in one second?

**Arthurs:** Yes. Gary?

**Knell:** Just to respond again to this question. I think there's a set of societal needs which you are all working on individually and collectively. What I think we're saying up here is that the execution of how those needs are addressed should not be ghettoized into our thinking that only a not-for-profit organization can by itself execute those strategies. And what we're saying here is that it may be a for-profit organization such as Markels granting to Oxygen, which, believe me, is a solely for-profit organization, to execute that. Or it may be through a partnership like CTW has with Nickelodeon or some of the other things you've heard today.

That's what I think the general thrust of the change going on is. It's who is executing the strategies that you are funding in terms of societal needs.

**Arthurs:** I think that's good. That question has been waiting, and then there's one over here.

**Question:** I'm really addressing this to Gary, but actually now for the general conversation. All this illustrates a point about the blurring of the lines in the for-profit and non-profit sectors. What we're hearing today is it's not about blurring the lines; it's about redrawing the lines. And it seems to me that most of what I've heard is not about the moral issues involved. In fact, what we're being put back to are the original ethical kinds of questions, pre-sector, non-profit sector issues, of what constitutes non-profit intention and what constitutes commercial intention.

We can answer those questions in the non-profit sector. We don't need anyone to tell us that; that's us. And it's really for these kinds of thinking about, "Hey, why are we doing this? What parts of your enterprise need to be done in this intentional way? What parts are new? What parts are about me and what parts are about profit? Maybe I take this part about me in a capital-rich environment and transfer it to another organization, and we can meet this need, and not how do I hold onto this and capture the capital of another sector. So it just seems to me that there are many questions to ask ourselves about ourselves, and nobody can tell us better than ourselves.

**Question:** I just had a question for either the people on the panel or the people in the room, on what you were saying and how it applies to community foundations. How, when you see something good, you know it when you see it, and about entrepreneurs coming up with these ideas. And I'm just wondering if people are seeing trends at all with these kind of people with ideas, whether or not there would be some fiscal agents, if you see people coming using umbrellas or you see them coming in because they're partnering with a non-profit, and I'm just wondering if anybody was seeing trends of how people are using the non-profit sector?

**Knell:** It's too early to see a trend.

**Arthurs:** Yes. I think that's a question to hold on to. I don't think any of us even thought about it. There's work to be done.

**Question:** A question for Gary. The point you made earlier about engaging with a for-profit partner or finding the common interests. My father-in-law is in media, and a number of years ago founded a cable network which is basically a response to the for-profit religious side of things in terms of television evangelism. And he got a number of communities on the religious side to go in together and form a consortium of interests and then leveraged spaces on television and negotiated a deal with TCI.

And over the years, they've found themselves in kind of a weird position in terms of maintaining their "real estate." And I'm just curious about forming the partnership with people in business, what kinds of arrangements you make, in developing this, in their relation to an artist or an independent. What kind of controls do you have built into the agreements to be able to maintain your portion of the "real estate," as it were?

**Knell:** It's a good question. And I do know about your father-in-law's channel, which has now been divided up further, and I think Hallmark and the Jim Henson Company are owners of that channel now.

We have built a very complex web of arrangements which guarantee some editorial control over this channel. But, more importantly, there is a governing body made up of 50 percent CTW representatives and 50 percent Nickelodeon representatives who have to jointly elect the managing director of the channel and the key executives.

So we've built into this thing, we think, enough protections so that if it begins to go astray, we can either buy Nickelodeon out or leave ourselves or what have you. I mean, if it gets to that point, then we shouldn't be in it anymore, and I think in this case, I'm sure that question has been asked along the way by the Council of Churches or whoever was involved in this thing. You know, it's a gamble. That's why I say you've got to find people who understand the values.

It's not just on this cable channel. We have these major licensing arrangements with Random House and Fisher Price and K-Mart. When those relationships get to the point at which they push over the edge of what is appropriate for our characters and our brand equity, so to speak, and public education and preschoolers' growth and self-esteem, when that line gets passed over, we say no. And we say no a lot.

When we are entering into new arrangements with people, we tell them, "We are going to be a pain in the ass on stuff." Unlike some other partners who are in the preschool field and will basically do anything to push their product forward. It's a different mandate. And I can't give you a direct mathematical formula on how to fix this. I think you've just got to build in protections, and you've got to make a judgment when it gets to the point where you're not comfortable anymore.

**Arthurs:** Should we take one more question? Caroline, do you want the last question?

**Question:** I was going to take that same question up and maybe take it over to Culture Finders, because clearly CTW is an established company. You come to the table with a lot of resources and credibility, and you come to the table with a program. Culture Finders is in a different situation in being young, being a startup, being in a phase where it is losing money, and say if you're going to have to raise significantly more money to do your marketing, how do you feel about that relationship with your business partners?

**Carr:** I'm going to steal his line. Can you just rephrase the question again, because I'm not sure I got it.

**Question:** Well, the question is really about the difference in the balance of power of you and CTW. Noggin is set up with two partners that are both established. You're coming in as a startup. You've got a substantial commercial partner who's coming in as a financial investor. You know you're going to have to bring in more financial investors, and you don't perhaps have the same power at the table.

**Carr:** Right.

**Question:** And how do you react in protecting the interests of your end?

**Carr:** Now I get it, and that's a terrific question. I'm much less than the majority owner of my company. I used to own the whole thing, and I've sold a little piece of it along the way.

When we brought Comcast in, we thought long and hard about who we were willing to take money from that was going to essentially control our destiny, and it was all about people. I trusted them as a company. I trusted the gentleman that I made the deal with; he cares about the arts.

The truth of the matter is that I also believed that what we were creating was somewhat founder-specific. They made a bet on me. In a large way. And they made a bet that I could realize a vision that was not creating the next drugstore that's a little better than the drugstore down the street, but that it was something new. And I calculated that probably the extraction of me from the mix would be a much greater detriment to the whole entity than their imposition of their will to make me do something that I don't want to do. The balance really worked.

So if they put a gun to my head and said, "We want you to do rock and roll," and I said, "No, I'm not going to do it. Fire me." They've just made a four million dollar investment, and I probably carried them into it. So that was the calculation. The truth is, I'm not nearly in the leveraged position that Gary is in. We're a young startup company, and I pray every single day that my investors don't sell their company to TCI or to somebody else. It's part of the risk you take as an entrepreneur. We're on the high wire act with no net and I've been that way for



four years. But your question is extremely well taken.

**Arthurs:** And I think the same question could probably be asked of Becky and some of the enterprises that she's involved in. And I know that in Joseph's original deal with the movie theater, they made all their money on the popcorn and Coca Cola that they sold to theatergoers. But what's going to happen now that they're moving wholesale into his new Art Center, and what kind of relationship is that going to be? Wait and see.

This is where, I think, we have to go beyond our own calculations about what is and is not worthy - beyond the self study that was described to us so engagingly - and go the next step to try and draw those protocols in some much brighter colors and much brighter pictures.

I see that we're at the end of our time. I really want to thank our panelists who are not only entrepreneurial, enterprising, imaginative, but were willing to come and talk to us. Thanks, panel!

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