

The Theater as a Business

Changes in the theater system in Germany and Austria



Theaters are, first of all, cultural institutions whose *raison d'être* lies in the artistic communication between actors and audiences that can be achieved in stage performances. But at the same time, they are also businesses that have to be managed, organizationally and financially.

by Günter Kradischnig, Dieter Haselbach and Lutz Hempel



Situation elsewhere

Theaters in other countries are faced with challenges of a quite different order, as shown by an example from Romania. While in the German-speaking countries the budgets are getting tighter, the situation in Romania (and other Eastern European countries) is much more dramatic. There, many theater directors do not just have to worry about what to produce, but how to pay their daily bills. For artistic directors, who often have to get by without the support of professional business managers, this is an almost unmanageable situation. Since there are hardly any prospects of additional funding at the national level, these theaters are seeking partnerships in Central and Western Europe. Another chance are EU-funded projects. However, the independence of the theaters and their ability to establish an artistic profile of their own may be compromised by influences, such as EU particulars for funding. With EU funds, a theater may be allowed to produce thousands of umbrellas with its logos, but may not use the proceeds to support artistic productions. In addition, the theaters are still subject to official influence, which are reminiscent of earlier times in the German-speaking countries before modern structures created autonomy and artistic freedom.

by Alin Ivan

Over the last 15 years, theaters in the German-speaking countries have gone through big changes in their business situation and management structures. There has been budgetary pressure from the bodies responsible for public financing, and this has been met by improvements in business efficiency. In many cases, this has been sufficient to stabilize the economic situation. However, the crisis of the public finance of recent years has added new pressure and has raised new questions about whether it will be possible to sustain theaters in their current form.

Even more threatening business challenges are faced by theaters in some other European countries. Some of the lessons learned in the German-speaking countries may be applicable to them.

Switch to company formats

In the state-sponsored theater sector in Austria and Germany, the traditional organization and management practices largely followed the example of the public administration. The realization that these arrangements were not ideally suited to private and commercially oriented operations came relatively late. But a wave of change came towards the end of the 1990s. At that time, the spinning-off of the Austrian Federal Theaters to form the world's largest theater business was, by no means, the only example of the switch from direct management from the public administration to being a legally autonomous corporation. By now, almost all of the larger theaters in Austria are being operated as stock corporations, and in Germany, too, corporate formats have become the dominant form of organization in the sector. The structure of a stock corporation opens up possibilities for quite different ways of doing business and also for different incentive systems. Switching to this type of structure is an integral part of an overall strategic change process. However, it yields economic effects only in the long run.

Synergy effects

Shared service centers for administrative and technical services of theaters have had very positive effects. These have yielded not only large gains in efficiency but also a stronger orientation towards service and even quality, which is of benefit to the theaters' artistic activities. Especially successful examples are the Art

for Art of the Austrian Federal Theaters in Vienna, the shared workshops of the Berlin Opera Foundation and the Art&Event theater service of Bühnen Graz. Such shared service organizations can also expand their activities to offer services to different branches of the performing arts. The best synergy effects can be achieved in holding companies for several theaters (e. g. Austrian Federal Theaters, Bühnen Graz) or for all cultural production operations of a single owner (e. g. the NÖKU culture holding in Lower Austria and the KUGES in Vorarlberg).

Cooperations between theaters in the form of coproductions are also well-accepted and can open the door to notable artistic successes for all participants. Strategic partnerships between theaters can go even further than this, for example in sharing workshops – location allowing, of course.

Business management

An essential element of the new developments is the rise of professional business-oriented management. The old-school theater director as an autocratic leader of a large theater organization has become a rare species – and in the few remaining cases, the director is often someone with a strong understanding of management. But nowadays, the more common arrangement is to have both, an artistic and a business director working in tandem. In organizations run as a group of companies, the overall management is usually a business-oriented team.

Securing independence

An ever-present potential for dissatisfaction in theaters lies in the tensions between culture policy goals, the artistic program and the available budgets. Problems can be exacerbated by the discrepancies in the typical planning periods of these different levels: while the artistic program may need long-term preparations, which means often taking decisions years in advance, politics can involve changes of direction on a yearly basis. In order to resolve these tensions, it is essential to arrive at firm long-term agreements on the program, the goals and the necessary budgets. Ideally, financing agreements should be coupled to the contract periods of the theater management and to their conceptual goals.

Effective accounting

Theaters have also adopted integrated planning and reporting systems and the associated IT equipment – well-managed theater operations work to essentially the same standards as normal commercial enterprises. However, besides the usual commercial functions, these systems are also used to provide traceability for the use of public funds, so that the effective use of budgets in the service of specific culture policy goals can be documented. Making the theater organization responsive to the objectives agreed with policymakers, and detailed accounting for correct use of funds are important pillars of legitimization of the theaters as publicly-funded institutions.

Limits of optimization

Although many theaters have achieved significant optimizations of their cost-effectiveness, the potentials for cost reductions and revenue growth are not boundless. If public authorities cut support below the level that is needed to maintain a permanent ensemble and independent productions, and to keep up a program in the various genres in the existing buildings, then we reach the point at which it may not be possible to continue with the German-style director's theater. In several cities in Germany, the finances are under so much strain that this point has actually been reached. With guest performances, festivals and partnerships with commercial producers and other nearby theaters, a variety of different operational strategies are available. Other countries both, in Europe and further afield offer many examples of how this can be done – but also show what we stand to lose. A switch to a more commercial system would not be the end of the theater. But it would spell the end of a particularly rich and unique tradition in the German-speaking countries. ●

»The public financial crisis has added new pressure on public theaters.«