
PARTNERSHIP STRATEGIES FOR CREATIVE PLACEMAKING IN TEACHING ENTREPRENEURIAL ARTISTS

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Abstract

As entrepreneurship education for artists expands, business strategy itself gets adapted to the particular ways in which artists and other creative placemakers work. Traditional business strategy is based on competition for scarce resources—as exemplified in Michael Porter’s iconic Porter’s Five Forces analysis and as extended to non-profit management by Sharon Oster’s Six Forces framework, which includes donors. Yet creative placemaking often entails collaboration more than zero-sum competition. Even in underfunded fields in which resources are scarce, business strategy frameworks that are based on partnership and collaboration, most notably Brandenburger and Nalebuff’s “Value Net,” more effectively support community engagement and partnership strategies associated with creative placemaking. This paper takes as a case study a workshop taught to choreographers and other movement artists as part of a Business Structures and Planning curriculum I developed in 2016 for the Lower Manhattan Cultural Council (LMCC) and The Actors Fund. The core question of the Value Net, “If I succeed, who succeeds with me?,” led to unexpected ways of mapping the ecosystem of the arts and to fruitful community engagement. In reimagining business strategy more holistically, this approach is also part of a larger pedagogy toward a principles-based, rather than rules-based, model of teaching business as a creative design medium itself.

Keywords: creative placemaking, arts entrepreneurship, competitive strategy, co-opetition

In May and August of 2016, I led two pilot workshops of a curriculum I designed as a “2.0” approach to “Business Structures and Planning” for a partnership between the Lower Manhattan Cultural Council (LMCC) and The Actors Fund (Whitaker, 2017). The aim was to teach practitioners with a substantial track record in the field how to shift their practices to achieve scale and sustainability on their own terms. A core component of the workshop was partnership strategy. Unlike traditional business strategy, which is predicated on the assumption of competition, partnership strategy is based on a non-zero-sum structure in which multiple stakeholders can succeed by working together. Particularly in the case of artists with a creative placemaking practice, and artists whose work exists in performance and public-art venues, these partnership strategies map the arts ecosystem in usefully networked systems that follow from the question: *If I succeed, who succeeds with me?*

This paper illustrates specific approaches to teaching partnership strategy as a lens onto pedagogical approaches to business as a creative discipline itself, and places these teaching experiments in a larger context of business education for artists.

The History of Teaching Business to Artists

The field of teaching business to artists has evolved and grown substantially in the last twenty years. The Tremaine Foundation has piloted funding of business and professional practice programs, as well as initiatives to study these programs. In 2015, the Herberger Institute at Arizona State University and the Tremaine Foundation released a report, *How It’s Being Done: Art Business Training Across the U.S.* studying the current state of business resources for artists (Essig and Flanagan, updated 2016). In the same year, the Strategic National Arts Alumni Project (SNAAP) released *The Career Skills and Entrepreneurship Training for Artists* (Skaggs, 2016).

This paper takes as its case study a pilot program co-organized by the Lower Manhattan Cultural Council which, along with Creative Capital and the New York Foundation for the Arts, has piloted business education programs for artists, both within New York City and nationally.

The teaching described in this paper stems from a framework that models approaches to business education for artists at various levels, first published in the essay “Why Teach Business to Artists” in *Hyperallergic* (Whitaker, 2016a). An accompanying diagram mapped these levels of business engagement in a triangle, following the visual structure of Abraham Maslow’s Hierarchy of Needs, which models human motivation from basic survival through an apex of “self-actualization” (Maslow, 1943). These “levels” of pedagogical methodology for teaching business to artists are illustrated in Figure 1:

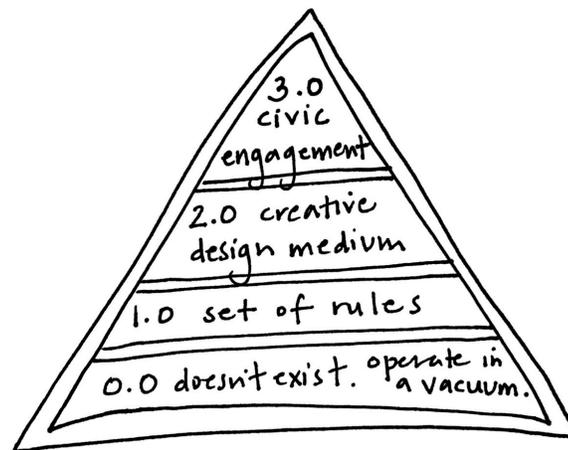


Figure 1

A Framework of Methods for Teaching Business to Artists (Whitaker, 2016a)

At the base of the pyramid is a “0.0” approach to business in which one pretends that business does not exist. This attitude is intended to foster a focus on the art itself but often leaves artists without skills to navigate the practical world. At the “1.0” level, business is taught as a set of rules that are enacted in a specific way. The “1.0” is normative; it includes assumptions about how business should work. In contrast, the “2.0” level presents business as a set of building blocks that can be used however a person sees fit. In this framework, business is a parallel creative practice, in essence, a medium that can be approached with the same creative methods one brings to one’s art. Finally, in the “3.0” realm at the top of the pyramid, business is a tool for civic engagement, a way of talking collectively about the design of the world. The 2.0 and 3.0 levels are particularly significant to partnership strategy because so many financial challenges that artists and other creative workers face are collectively held. Solutions often involve pooling resources, either to save money by sharing overhead or to create critical mass by working together.

This focus on business as a creative design medium dovetails with principles-based theories of pedagogy, in which students are invited to work open-endedly by applying the first principles of a field, rather than having to work toward a single known solution or a right way to do something by following a set of rules. These theories are subject to subsequent study via priming methods in social psychology. One hypothesizes that artists and other creative placemakers who are taught business by first principle would be primed to engage more imaginatively and resourcefully in an assigned problem-solving task.

From an artist’s standpoint, the first principles of designing with business are to amplify the reach of your work and to protect space in which to make the work in the first place. These applications of business

align with the shift described in this paper from competitive to cooperative strategy. If traditional business strategy is normative in a “1.0” way, carrying an assumption of competition, partnership strategy carries a “2.0” ability to think laterally about collective success as well. Sometimes it is the creation of collective success—the elevation of the field or the critical mass of convening power—that leads to individual success at all. This collective success is central to community engagement and creative placemaking (Florida, 2002).

From Competitive to Cooperative Strategy

Modern competitive strategy is perhaps best encapsulated in Michael E. Porter’s 1979 framework Porter’s Five Forces. Built on the spine of a supply chain, a manufacturing-centric diagram of the linear progression from raw materials to finished products, the core axis of Porter’s Five Forces is from suppliers to buyers. The framework also isolates different aspects of an organization’s strengths and weaknesses as expressed as vulnerabilities to new competition (“barriers to entry”) and protections of product differentiation (“threat of substitutes”). The center of the diagram holds space to describe the structural nature and degree of competition within an industry. Figure 2 illustrates these relationships. Note that the original diagram was drawn with a horizontal axis from suppliers to buyers. The vertical axis here lent itself to the way the workshop was taught.

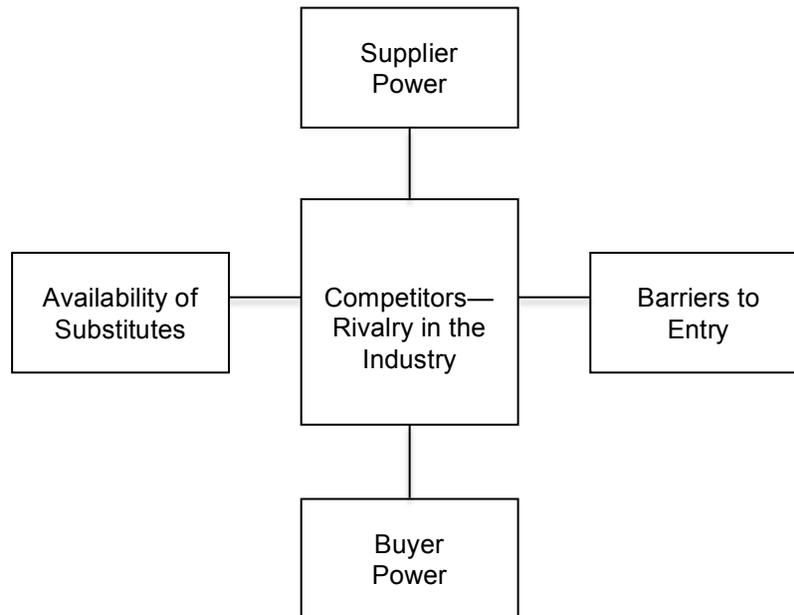


Figure 2

Porter’s Five Forces, adapted from “Forces governing competition in an industry” (Porter, 1979, p. 141)

The diagram lends itself easily to the analysis of more traditional business models but, critically in the case of partnership strategy, it does not model network externalities well. That is, it does not take into account systemic creation of value rather than competition for scarce resources. If a positive externality is defined as a benefit that is not priced in, a network externality is a subset of a positive externality in which the benefit arises from a critical mass of common behavior. Examples of network externalities include community platforms such as Facebook, city districts for shopping or art, destination events such as art fairs with satellites, or even philosophically basic shared knowledge like speaking a common language.

Creative placemaking and arts entrepreneurship projects of widely divergent method often share a fundamental concern with systemic value creation. These efforts therefore rest on a consideration of

networked creation of value that is often not priced in. A simple vector of competition does not encompass that shared creation of value among many different stakeholders in a community.

For example, in the airline industry, the capital intensiveness -- or money required -- to purchase airplanes and the difficulty of securing gates at an airport constitute key barriers to entry. In contrast, applying Porter's Five Forces analysis to a performing arts festival does not easily model the upside involved in the creation of partnerships; it more so models the risk that competition may follow, once those partnerships are established and a marketplace is saturated. Thus, the framework assumes that even where partnerships are concerned, there is a fight for resources, rather than any avenue by which collaboration could be generative. The different parts of the framework succeed in mapping aspects of competition and the overall fierceness of rivalry in a field without mapping the ecosystem of mutually dependent and collaborative relationships.

Supplier Power

The fewer suppliers an organization has, the more power those suppliers have because there is more dependence on them and a resulting inability to switch to a competitor, or to play off a competitor in a negotiation. Suppliers also have greater power if there are relatively high "switching costs" of moving a relationship to another supplier. Stuckey and White (1993) discuss three different kinds of asset specificity: site, technical, and human capital. This specificity of fit between buyers and suppliers greatly affects one side's switching costs. For instance, if the buyers of supplies have had to build factories located in a certain place, machinery and systems geared toward that supplier, or employee familiarity and know-how specific to that supplier, then that asset specificity gives the supplier more power by increasing the buyer's level of commitment and related switching cost. Conversely, if there are available substitutes and if it is relatively inexpensive to switch to another supplier, then the supplier has less power.

The supplier's own business strategy and structural nature will also characterize its power. If the supplier's business success depends on producing goods in volume, then they have an incentive to maintain their sales relationships and therefore have less power. If your supplier could easily get into the same business that you are in (to forward integrate) then the supplier has more power because it is, in a way, a potential competitor of yours. In a performing arts context, one could imagine a producer who has the capacity to present work, or an artist who has the ability to circumvent a gallery and sell directly to collectors.

Buyer Power

Buyer and supplier power are often flip sides of the same coin because the dynamics are structurally similar, just seen from different sides. Buyers have power when they have many available alternatives to your product offering. To the extent they can compete with a supplier at its own product offering, the buyer will have more general forms of leverage in negotiating price. In this framework, the ability to set price is often analogous to market power. In an artistic context, many other forms of value—social, aesthetic, relational, reputational—and power come into play.

Rivalry

A key aspect of rivalry within a field is how many other actors there are, that is, the industry concentration. The more actors in a field, the more they compete against one another for opportunities. At the same time, if an industry is concentrated into a handful of powerful companies, it is hard to compete if you are not one of those powerful players. Economic theory models free entry and exit from fields, meaning free mobility of resources to follow opportunities. If, in reality, there are barriers to exit—obstacles to leaving the field—then the rivalry will be more intense.

Regarding barriers to exit, in economic theory, any previous investment (education in a field, years already spent trying to break in) is considered a “sunk cost,” that is, money already paid that cannot be recouped and that therefore should not be considered in decision-making. However, practically speaking, many people would consider this investment as a barrier to exit, because they have tried so hard already. Other barriers to exit might include long-term leases or other commitments.

The cost structure within a field also characterizes the competitive nature of the field. If companies are fixed-cost-intensive, meaning they mostly have overhead as opposed to more flexible ad-hoc or variable costs, then they will strive to compete for audience members to defray that overhead. Performing arts venues have this characteristic of fixed cost intensiveness and extremely low cost of an incremental audience member when the seats are not all full. Lastly, if the industry is growing overall, the competition will be less severe because there is more room for everyone. In constricting fields, rivalry can be fierce, even for fewer resources.

Barriers to Entry

Barriers to entry are factors that stop other actors who see your success from copying you. The economic basis of this risk is a belief that if others enter your field, they will compete with you for customers. Some barriers to entry are structural: organizations that have operated for a long time may have achieved a scale that gives them cost advantages, or they may have amassed specialized knowledge from a history of operations. A firm may also have a long history of working relationships, partnerships, and access to distribution (e.g., stores, performance venues, customers). Other barriers stem from regulation: intellectual property frameworks such as patent and trademark stop other actors from copying a technology or replicating a successful brand. The sheer money needed to start up also constitutes a barrier, one that varies substantially across fields. (The money needed to start as an Etsy seller is markedly different from the capital needed to start an airline.) The presence of existing customers can also constitute a barrier if there is a high “switching cost” for that customer to change over from an incumbent company to a new one. One can imagine the time and effort required to change bank accounts from one institution to another. Even exploring a new performing arts venue as an audience member involves switching cost of learning how to get to the new venue and to navigate its space.

Threat of Substitutes

Switching costs also characterize the threat of substitutes. If it is expensive to shift to a new product, then the threat of the substitute is lower (see Stuckey and White (1993) on “asset specificity”). With regard to substitutes, the entire marketing campaign and enduring brand of Coca-Cola aim to teach us that there *is* no substitute. The competitive dynamic around substitutes maps onto microeconomic analysis of price elasticity, indifference curves, and other aspects of consumer demand. It also maps onto intuitive consumer tastes, so one knows at what price or under what circumstances you would make do with a stand-in.

Resource Scarcity: Classical Economics

The entire map of Porter’s Five Forces emanates from neoclassical business assumptions of scarcity. As Leonard Read argued in his classic essay “I Pencil,” (1958) and as retold by Milton Friedman (1980) in a *PBS* special on free market economics, no one person could singlehandedly manage all the parts of creating a pencil. It is the miracle of the pricing system that allows people to come together and coordinate making the different parts. This assumption of market efficiency was first argued by Adam Smith (1776) in his famous example of workers creating straight pins more efficiently by dividing the process into steps.

These assumptions of resource scarcity do not, in general, model innovation or, specifically, artistic creativity. They show how a pencil is made efficiently but not how it is invented. Efficiency applies to

manufacturing what you already know how to make, but not to research and development of new work (Whitaker, 2016b). The theory of economics thus holds in tension the notion of efficiency and the necessity of invention, what Joseph Schumpeter called the “creative destruction” that is required to make progress (1942). One must be willing to move beyond, or even to destroy, previously successful products in order to maintain long-term success. This theory follows the economic incentive to innovate: a firm makes profits, other firms enter the market and compete those profits away, and then the first firm must innovate in order to make profits again.

These assumptions have been adapted to non-profit management by Sharon Oster (1995) with the addition of a “sixth force” for donors, alongside buyers. Donors are, strictly speaking, those people who pay for the product disproportionately to their own use, where “users” are buyers who pay proportionately to their usage. See Figure 3.

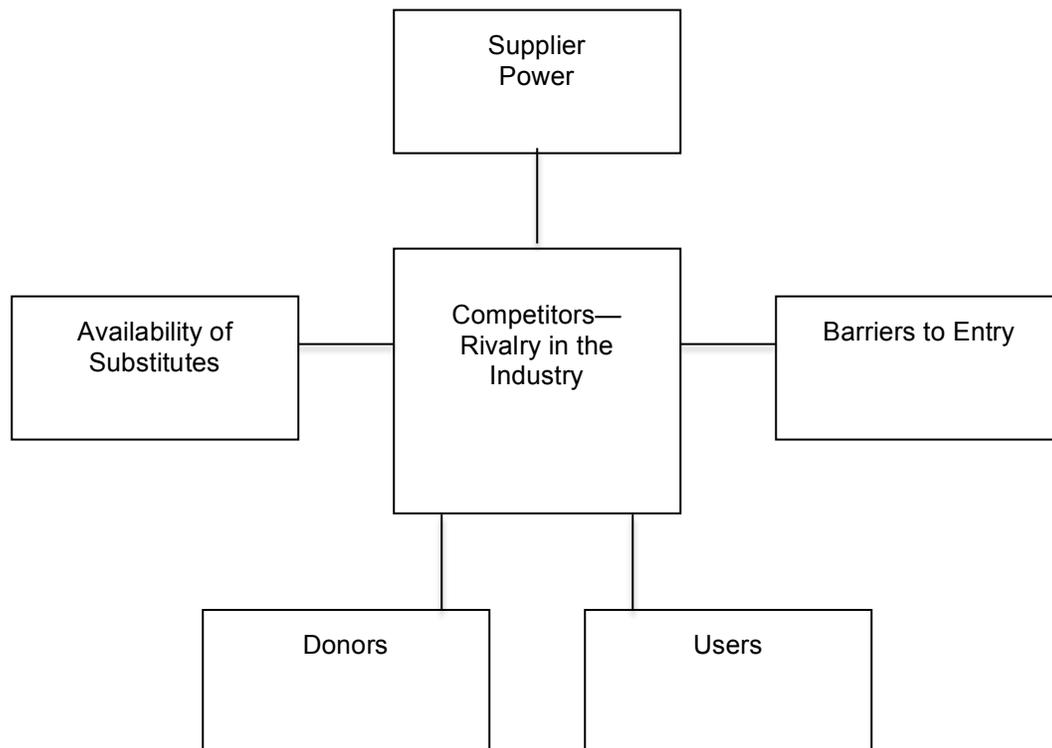


Figure 3
Sharon Oster's Six Forces Model (Oster, 1995)

Competitive Strategy and Efficiency in Teaching Context

In practice, in applying both Porter's Five Forces and Sharon Oster's Six Forces in the LMCC-Actors Fund pilots and otherwise, artists are often confused by the distinction between buyers and suppliers. They often perceive donors as suppliers of capital. And the supply chain by which art is made is often non-linear and circuitous, which is to say, hard to shoehorn into a strict linear chain. Oster's original diagram was drawn with suppliers to the left and buyers to the right. For teaching purposes, both Porter's and Oster's diagrams were drawn with a vertical instead of horizontal supplier-buyer axis.

In addition, although efficiency of manufacture and messiness of innovation are often at odds, efficiency is still important for artists. Esther Robinson, the founder of ArtHome and a teacher of business to artists, often says that artists think they are bad with money. They are actually good with money; they just have an income problem. That is to say, artists are incredibly resourceful, sometimes ingeniously so, but are

often simply too resource-constrained for their valiant efforts toward efficiency to be enough.

In teaching business to choreographers and movement artists, as compared to teaching visual artists, notable distinctions emerged in what one might call lottery-ticket hopefulness. Because the visual art world sits adjacent to the upper echelons of art fair and auction price points, even though only 1% of artists of all time have sold work for over \$1 million (McAndrew, 2017), there is a perception that that level of success could conceivably happen, the same way that a holder of a lottery ticket could conceivably win the jackpot, however slim the odds. Choreographers perceived greater hopefulness or upside potential in the careers of visual artists.

In addition, the specter of competition is real. Artists and arts organizations do compete with one another for limited funding. Yet at the same time, constriction in funding and the challenge of finding adequate support are larger obstacles that are collectively held and experienced across the field. There is space to collaborate and to share resources, and to work together to elevate the overall level of funding within the arts and beyond.

Partner Strategy

Partner strategy adapts competitive strategy to consider mutual and simultaneous success. In 1996, Barry Nalebuff and Adam Brandenburger wrote a book called *Co-opetition* proposing, as the title portends, a combination of competitive and cooperative strategy. They took traditional business cases, such as the rivalry between Coca-Cola and Pepsi, and argued that, although the two companies look like fierce rivals, it is the competition that, in effect, normalizes the fact of ingesting a fizzy brown liquid capable of dissolving a penny. A competitive advertising campaign actually benefits both firms. Similar strategic outcomes occur in more overtly collaborative contexts. For example, the Milk Board is a consortium of local dairy farms who together build the overall audience for drinking milk. A rising tide lifts all boats. Extending that theory to the arts here, you can compete—and have to apply for the same grants and presenting opportunities—but also collaborate to develop the field.

The central idea of co-opetition is to accept the objective advantage of holding a smaller part of a larger pie. That smaller slice is larger in absolute terms. As Figure 4, illustrates, the entirety of the smaller pie fits inside the fractional share of the larger pie. Everyone is better off.

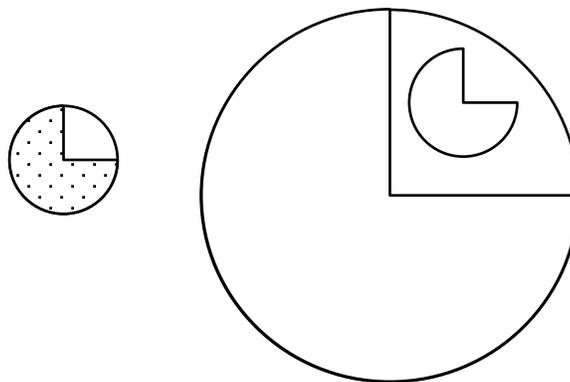


Figure 4

Increasing the Size of the Pie Before Dividing It Up (from “Business Structures and Planning” participant workbook for the LMCC-Actors Fund curriculum, 2017)

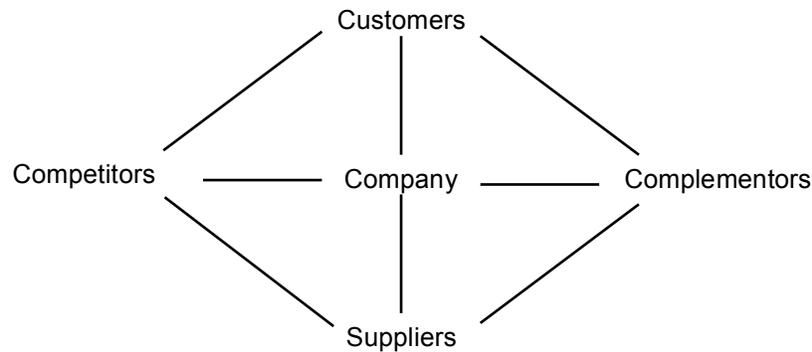


Figure 5
The Value Net (Brandenburger and Nalebuff, 1997)

In the language of economics, this shift from competitive to collaborative strategy is a shift from focusing on substitutes, those other offerings with which your success is zero sum, to focusing on complements, those products that are enjoyed together, like a left and right shoe or wine and cheese.

In the co-opetition framework, called the Value Net, the axis of suppliers and buyers still exists, but it is buoyed by a split between substitutes and complements. The framework is expanded not just to look at threats (availability of substitutes) and protections (barriers to entry), but also at complementors. The fundamental question for defining a complement is to ask: if I succeed, who succeeds with me?

In the case of experimental dance, the Mexican restaurant that serves compelling guacamole and tequila across the street from the Chocolate Factory Theater, an artist-led experimental performance venue in Queens, is a clear complement. If the dance venue succeeds, the restaurant does too, and vice versa. Within the larger creative ecosystem, if one performer wins a coveted commission at the Brooklyn Academy of Music (BAM) and beats out other contenders, it is possible that their success and rave reviews will prime a larger audience for the difficulties and rewards of engaging with experimental performance.

A festival or showcase provides a clearer case of partnership strategy. Returning to the idea of a network externality, a positive attribute that is not priced in and that comes about through collective action like a friends and family cell phone plan or the critical mass of a gallery district, an event like a performing arts festival that relies on critical mass lends itself to value creation through partnership and collaboration. Ben Pryor's founding of American Realness, a festival that occurs at Abrons Art Center during the annual Association of Performing Arts Presenters (APAP) conference, is a case in point, and a case study used in the LMCC curriculum. The critical mass of presenting organizations from all over the world who have representatives attending APAP creates the chance to bring emerging performers together for a second showcase via American Realness. The phenomenon of art fairs and satellite fairs has a similar pattern. These event-driven partnerships' micro-economies relate to larger, enduring creative placemaking efforts in which multiple arts venues band together to create a destination or creative hub. The answer to "if I succeed, who succeeds with me" ranges from the arts venue and the performing arts space, to the restaurant next door, to the bank or corporation that recruits top employees to a vibrant city, to the field in general, as new work is created, championed, and shared.

Conclusions

Partnership strategy lends itself to creative placemaking at the same time that it opens up pedagogy around business education for artists. Seeking partnerships is essentially open-ended. One can have infinitely many partners, in theory, and so the question, "if I succeed, who succeeds with me" does not have a single right answer but many. At the same time, co-opetition creates a nimbleness or code-switching between the vectors of competition and individual excellence, and those of expansiveness and critical mass.

In the experience described here of teaching the LMCC-Actors Fund workshops, the juncture of partnership strategy was critical for opening up the study of business to encompass an entire ecosystem of creative activity. As such, the teaching of partnership strategy had its own effect on the intersection of art and business: taking two fields that often compete and finding their complementary. Partnership strategy created a lens onto the multiplicity of ways in which art and business interact, including the ways that artistic intervention leads to economic development, that business knowledge leads to artistic robustness, and that the two together build the fabric of community partnerships and sense of place.

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