



**Ted Rogers
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TheatreCreate

George Hammersmith's Dilemma

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Executive in Residence
Ted Rogers Leadership Centre

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Introduction

After concluding a call from a fellow board member, George Hammersmith gets that sinking feeling, which tells him he has gotten more than he wanted when he agreed to become the chair of TheatreCreate the year before. The call has informed him that the differences between two key staff members have become irreconcilable. George will need to call an emergency board meeting to review their options. Without a quick decision, TheatreCreate's financial position will alarmingly worsen as the big donors about to commit essential funding will probably withdraw their backing, fearing their funds will not be well used because of the internal bickering. In the aftermath of this call, it seems that George and the board will need to decide which one of two long-term and valued organizational leaders will need to leave if they are to save TheatreCreate.

TheatreCreate's History

George had been on the board for two years before accepting the position as chair. The year he joined the board, TheatreCreate celebrated its 30th anniversary. Over its history, the organization has built a stellar reputation as an incubator for new theatre works, having created not only a multidisciplinary approach that served to hatch countless creative collaborations for the theatre, but also a set of processes that qualified and developed the most promising works. The plays that come to be produced for the stage inevitably receive critical acclaim. After 30 years, the TheatreCreate brand is so powerful that any production with the TheatreCreate "seal of approval" is inevitably sold out. This loyal audience base has become, over time, a substantial source of individual donations and one of the strengths of TheatreCreate.

The artistic success of TheatreCreate is largely owed to the day-to-day leadership of three individuals: Victor Tangredi, the general director; Michael Wainsworth, the artistic director; and Mabel Barrister, the administrator.

Victor, who was 66 when George joined the Board, is one of the founders of TheatreCreate. The theatre began not as a creative engine but as a troupe of performers. Over time, Victor became the business face of TheatreCreate, helping to secure funding, supervising staff involved in accounting, fundraising, communication, outreach, the settlement of production contracts and management of volunteers.

Michael, who is now 60, has been with TheatreCreate for 20 years and has become the “artistic” face of TheatreCreate. It is Michael who developed the methods and processes that transformed TheatreCreate into a creative powerhouse. In the industry, he is worshipped, having mentored and given opportunity to many artists. He has also been the catalyst for several important works. He is a much sought-after adjudicator and speaker. His name and reputation alone attract a significant portion of the grant money and individual donations received by TheatreCreate. He has a very loyal base of donors who have, on many occasions, come to the financial rescue of TheatreCreate at his request.

Mabel, now 49, joined TheatreCreate 15 years ago at the urging of Michael, with whom she had collaborated on several theatre projects. When she first joined the organization, she was production manager, marshalling the people and physical resources needed to launch a production on time and on budget. As time went on, Mabel also got bookkeeping credentials and now has taken over daily management of the accounts.

While each of these individuals, on paper, has distinct job descriptions, they all have become cross-trained in most aspects of the operations, pitching in as required. Collectively, they exemplify TheatreCreate’s core values of teamwork and collaboration and, unlike many other arts organizations, they attract and retain a cadre of hard-working and talented staff, simply because the work environment is both empowering and fun.

In addition to Victor, Michael and Mabel, there are ten full-time staff who focus on fundraising, communications, public relations, community outreach and education,

production, finance and administration. The thirteen board members, all volunteers, work diligently to raise funds, and provide support to the TheatreCreate staff in accordance with their own professional backgrounds, be it law, marketing, finance or human resources.

If those outside the organization actually knew the size of TheatreCreate, they would be very surprised that the company has been able to accomplish as much as it does with such a small staff. In large part, this is because a number of volunteers, in addition to board members, are involved in many aspects of the company's work throughout the year. When in production, there are also numerous contract workers, including artists, employed by TheatreCreate. At these times, TheatreCreate can be a cast of a hundred or more.

The growth in artistic and workplace reputation is, sadly, not matched by equal financial success. As a not-for-profit performing arts organization, TheatreCreate relies significantly on government grants and the goodwill of individual donors to survive. Production runs are never long enough to rely on box office revenues or promotions as a meaningful source of financing. It is a rare year when the finances of TheatreCreate don't cause many sleepless nights for its staff and dedicated board members.

The financial issues are owed, in large part, to the organization's inability to fully project funding needs on a multi-year basis. A year of development will be followed by a year of production. In the years where development is a primary focus, rather than production, expenses are low, but so are revenues, as it is production that most attracts donors and grants. Production years, in contrast, garner both higher expenses and higher revenues, although this is where the organization usually gets into trouble, failing to adequately plan for or predict the amount of funds needed to be raised to handily meet all obligations. Thus, by its 30th anniversary, TheatreCreate's annual revenues usually fluctuate between \$2.3 million to \$3.3 million, with surpluses or deficits ranging between +/-5% and +/-10%.

The New Five-Year Plan

The 30th anniversary brings Victor's retirement from the organization. He has been feeling the strains of continuing in his role as general director. The board had hoped that a six-month leave of absence, taken earlier in the year, would have rejuvenated him, but are not overly surprised when Victor decides nonetheless to retire. In the wake of Victor's decision, the board gets motivated to develop a five-year plan that they hope will not only address the organizational void created by Victor's retirement, but also the long-standing financial issues. In short, the Board has three priorities to address: 1) immediate organizational needs; 2) succession planning—the organization has paid no attention to this but needs to do so, especially given the ages of Michael and Mabel; and 3) financial stability. Immediate steps are complicated by the organization's financial situation. Having just completed a heavy production year, the accumulated deficit is at -8% of revenues.

The board, in collaboration with Michael and Mabel, come to the following decisions:

- Ideally, the board wants to have a general director to ensure there is a good liaison in place between the artistic and business sides of the enterprise. In the short term, however, it is decided to make Michael the managing artistic director. Mabel will take primary responsibility for the business functions and staff management, but will, on paper, report to Michael. The board feels this interim organizational arrangement will work well because Michael and Mabel function as a team and have already been “road-tested” during the six months of Victor's leave of absence; there is stability in the functional staff; and, most importantly, Michael, as head of TheatreCreate, will provide the continuity that donors and granting organizations will be seeking. Many of the board members are also nervous about the financial situation and saving Victor's salary (by not replacing him) seems like a good thing.

- While generally reluctant to add to costs, the board agrees to hire an artistic director to be the successor for Michael, who, in discussion, feels he would like to retire at 65.
- To address the financial issues, the board reshapes the strategic plan. In the past, TheatreCreate bore all costs of production. The board decides that TheatreCreate is no longer in the production business as the sole provider of the financing. Rather, productions will only go forward when partners can be found who will bear all or most of the production costs, as well as potentially provide key skills. To that end, a process will be established to ensure budgets will be developed for every project reaching the reading stage of review. This will allow the organization more lead time to find appropriate partners and donors for specific production projects.

Implementing the Five-Year Plan: The First Two Years

Initially, the board feels the organization was making good progress. Michael and Mabel seem to be working well together. About 18 months in, the board member responsible for HR has conducted a canvass of the staff and found that the work ethic and satisfaction levels remain high. Donors and granting organizations seem reassured by the appointment of Michael as managing artistic director. The board has also secured a donation from a donor willing to fund the succession plan for Michael. Adam Kruger is hired as a potential successor to Michael.

Several production partnerships have been developed over the first two years, although not all are successful. Consequently, finances continue to be a source of debate and worry. In the final analysis, the board concludes that the failures are useful lessons and are put down as inevitable growing pains, rather than an indication that the strategy is not a good one.

Year Three, When Problems Become All Too Evident

When George takes over as chair of the board in year three of the five-year plan, he is excited about the shift in direction and the leadership role he can play. His optimism is owed, in great part, to the confidence he has in Michael and Mabel. So, it is a great surprise to him when one day he receives a distress call from Mabel who reports that Michael is frequently failing to attend scheduled staff meetings or to respond to requests for information, that he often makes costly artistic decisions which are not reported before the fact, and generally he is having a negative impact on morale, as well as on the effective functioning of the organization.

When George first approaches Michael with the concerns, Michael discounts Mabel's frustrations, counter-charging that she is in over her head, frequently forgetting things told to her, often making embarrassing mistakes that cause back-tracking and rationalization. As well, he claims, Mabel has taken to airing their disagreements in front of the staff, causing staff to take sides. Interviews with staff indicate that about half feels Mabel should take over TheatreCreate, while the other half feels Mabel is behaving childishly.

The rift between Michael and Mabel makes George wonder how the board could have misunderstood the impact that Victor's departure would have on TheatreCreate. Was the good working relationship in the two years since Victor's retirement an illusion? Is the current financial situation causing the rift or did the downturn in financing only make an existing problem between the two more evident?

The financial situation has worsened by the fact that accounting changes to CICA standards has affected how development and production costs can be deferred. Specifically, the change in accounting practice causes TheatreCreate's accumulated deficit to balloon to 17% of revenues. As granting organizations like the Canada Council view deficits equal to 20% of revenues as an impediment to artistic development and a sign of financial instability, the revised financial statements put in jeopardy a significant portion of TheatreCreate's funding base, adding fuel to any dispute focused on finances.

As a short-term measure, George takes the step, with the board's agreement, to change the reporting structure so that both Michael and Mabel now report directly to the board. Duties are also more clearly specified and separated. The board chair or board director in charge of finance now need to approve all budget allocations, review all contractual obligations and will meet weekly with both Michael and Mabel. They do this, they say, not as a punitive measure, but to ensure both Michael and Mabel know they have a support network in place to help make decisions in difficult times.

George knows this to be an interim measure but hopes that as Michael and Mabel work together with the board's support to resolve the most recent financial situation, they might return to a good working relationship. They do, after all, have a long and positive history together. In the aftermath of the restatement of accounts, the board, with active involvement from Michael, has also been working hard to secure more funding, and has managed to find three donors willing to make significant donations. George is looking forward to concluding the paperwork that will seal the deal on this funding.

The recent phone call from his fellow board member has informed George that Mabel has exploded at a recent staff meeting in reaction to an accusation from Michael. She says that she refuses to continue to work with Michael. Michael, George is told, feels the same about her.

George Hammersmith's Dilemma

Recent events are demoralizing to George as well. When he assumed the position as chair, he not only hoped to leave a lasting legacy, but also thought it would provide his family, his business partners and himself with an opportunity to expand their network and have some fun. George likes theatre people. He admires the fact that they see their work as a calling, rather than a job, being more motivated by their art than by their pay cheques. The issues before him, however, are not fun. It was up to him to make recommendations about others' fates, and, this will have a negative impact on both their ability to pursue their calling and their ability to collect a paycheque. Ultimately, as chair, he is obliged to do what is best for TheatreCreate, but it is an unhappy situation.

George organizes himself to think through the options and his final recommendations to the board. As a first step, he calls his lawyer to understand TheatreCreate's legal obligations. The lawyer stipulates that if either are fired for just cause because they are guilty of misconduct, no termination notice or severance need be given. While George recognizes both Michael and Mabel have been behaving badly, he is not sure firing with cause is either in TheatreCreate's best interests or fair.

The lawyer then says that the Employment Standards Act in Ontario minimally requires that TheatreCreate pay either recipient around \$15,000 in lieu of notice based on their current salary and tenure, but points out that in the case of Mabel or Michael custom will dictate much higher payments given their long service, their unique skills and age. These payments customarily amounted to about four weeks for each year of service, based on the judgements provided when people like Michael and Mabel sue for constructive dismissal, as a result of the poor treatment they feel they have received when terminated.

This means that, if paid as a lump sum, terminating either Michael or Mabel will cost over \$100,000, and this does not include other considerations such as benefits and so on. This is money that TheatreCreate can ill-afford. That sinking feeling George feels isn't going to go away any time soon.

Questions

1. What is (are) the ethical issue(s) in the situation? How is this situation potentially damaging to someone or to some group?
2. What are the relevant facts of the case? What facts are unknown? Are there any professional standards or policies that apply to this case?
3. What individuals and groups have an important stake in the outcome? Do some have a greater stake because they have a special need or because there are special obligations to them?
4. What are the options for acting? Have all the relevant persons and groups been included in the analysis?
5. Considering all the perspectives, which of the options is the right or best thing to do? Why?
6. Implement your decision. Outline the steps that need to be taken to implement the decision in chronological order.