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James Houghton and Signature Theatre

We don't do plays, we do relationships.

—JAMES HOUGHTON, FOUNDER, SIGNATURE THEATRE

In April 2014, James Houghton, Founder and Artistic Director of Signature Theatre located at the Pershing Square Signature Center in New York City, sauntered into the Frank Gehry-designed 70,000 square foot, three-theater complex, equipped with offices, rehearsal and studio space, a bookstore, and café. He was excited every time he walked into the beautiful space that he and a large team of donors, Board members, artists, staff and the City had helped bring to reality a little more than two years ago in January 2012 (**Exhibit 1**).

As Houghton crossed the 7,500 square-foot lobby, he marveled at the expansive, open, loft-like space that encouraged “the collision of visitors, artists, audiences, administrators, and community members in exciting and organic ways.”¹ In fact, everyone, including those who hadn’t purchased a ticket to see a Signature show, was welcome to people-watch, grab a cup of coffee, use the free Wi-Fi, or listen to live music before a performance. Although the open space was an expensive use of mid-town Manhattan real estate and added to the cost of the building, the design was intentional in order to have the space reflect the core values of Signature Theatre—marrying art and architecture to celebrate the potential of the individual and promote the power of what people share in common. Houghton said: “The key to the entire Signature Center is to create communication and community...putting backstage center stage.”

¹ <<https://www.signaturetheatre.org/About/Signature-Center.aspx>>.

Scholar in Residence Laura Callanan, Adjunct Associate Professor Jane Wei-Skillern, and Prentice Onayemi prepared this case study as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. This work would not have been possible without the support of Paul Jansen and Dr. Nora Silver at the Center for Nonprofit and Public Leadership at the University of California at Berkeley Haas School of Business.

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Houghton was proud of the Theatre’s 23-year history, and he was particularly proud of the new facility near Times Square and the “community green” that he had helped to create. However, there were many risks of scaling to three theaters, producing nine plays per year, selling 98,000 tickets, and supporting a payroll of 43 full-time staff, plus 400 part-time staff and artists. This was a stretch from what Signature had managed up to that point: a 160-seat theater, three plays per year, four-times fewer tickets sold, and a staff of 16.

Houghton’s focus was always “mission first”. Over time, as he understood what it would take to scale that mission, his mantra became, “Build the company, build the building, build the institution.” But he had never just wanted to build a company or a building. He believed in a much larger cause of creating an invitation for a cross-section of artists, audience, and community members to experience theater and one another.

Houghton stepped into his office to meet with actor and filmmaker Edward Norton², whose first professional acting role was in a Signature Theatre production³, and who had also served as the co-chair of the Capital Campaign that raised \$68 million for the Signature Center. As he did so, Houghton reflected on his past work as an artist and social entrepreneur. Over his career, he had worn many hats as an actor, director, producer, and educator at various institutions like the Juilliard School, where he also served as the Director of the Drama Division. When he looked towards the future, Houghton wondered how he could continue to achieve his greater social vision of the arts helping people realize their individual potential, and the arts playing a significant role in creating healthy communities.

Background: Economics of Nonprofit Theater

The New York City market was saturated with more than 350 nonprofit theater companies and similar cultural organizations.⁴ Nonprofit Off Broadway theaters like Signature funded their budgets through a combination of contributed and earned revenue. Contributed revenue included donations from individuals, grants from foundations and government, and grants or sponsorship from corporations. Earned revenue primarily included tickets sales, with additional income from concessions and rental of the theater space.

The seating capacity and performance schedule (set through contract with the union Actors Equity) limited the number of tickets the theater could sell and, as a result, the number of potential individual donors it could reach. The size and nature of the audience also impacted which corporate sponsors the theater could attract, and the level of funding they were willing to provide to reach the theater’s audience. Foundation funding was also affected since most foundations did not want to provide funding beyond a capped percentage of an organization’s total budget.

But while capacity and ticket sales were capped, costs continued to grow. Earned income tended to stay the same in dollar terms, and shrunk as a percentage of total revenue, as the budget grew. This model—limited revenues and rising costs—fundamentally limited the ability for a company to break through to scale.

² Edward Norton was the grandson of developer and philanthropist James Rouse, understood building, fundraising, and public/private partnerships better than most. He was also a trustee of affordable housing developer Enterprise Community Partners and New York’s Highline Park, a founder of the volunteering and fundraising platform Crowdrise, and a United Nations Goodwill Ambassador.

³ When Norton was an aspiring young actor out of Yale in 1993, he auditioned for an Edward Albee production at Signature and didn’t get the role, but Houghton cast him in another Albee play where Norton earned his first paycheck as an actor.

⁴ Seth Hamlin, Programs Coordinator, Alliance of Resident Theatres/New York, via email January 13, 2014,

Every New York theater producer needed to confront the moment of deciding whether and how to cross this chasm. The only way to make the leap was to broaden the base of earned income and that required expanding production capacity, offering more seats to more performances. Most companies did this by moving up to the next Equity⁵ contract level, repeated the process, and then capped out again.

“Build the Company”

Mission-Driven Business

Inspired by his experience working with playwright Romulus Linney, Houghton had started Signature Theatre in 1991 with the mission to celebrate the writer, dedicating a full season to a retrospective on a living playwright’s work. Signature Theatre Board member and actor Norton said: “Houghton identified an authentic need, and made it Signature’s mission. While it was possible to see a retrospective of work in art, music, and film, it was not possible to see a body of a playwright’s work. Signature started as a small company with a big idea.”

Signature’s focus on one playwright was going against the tendency “...to downgrade writers after a box office flop has left many esteemed authors in the cold,” according to the *Christian Science Monitor*.⁶ “The nice thing about Signature is it proves you’re not only as good as your most recent play,” Edward Albee, three-time Pulitzer Prize-winning playwright said. “You’re as good as the entire corpus of your work.”

Signature also distinguished itself by involving playwrights in every aspect of production. “A lot of people think the director knows more about the play than the playwright, which is preposterous nonsense,” Albee said. “I have this bizarre notion that nobody knows better what the play is about and how it should sound and look than the person who wrote it.”⁷

Signature’s focus on the playwright bucked the tide of theaters in the U.S. The need to attract audiences made most theaters hesitant to produce works by unfamiliar writers or even the lesser known works of well-known writers. Playwrights were largely relegated to endless readings and workshops of their new plays never seeing a full production, taking critique from dramaturgs (theater staff focused on research and development of new plays). The focus was usually on star actors, concept directors, and the producers who made the theater run.

Joe Dowling, Director of the Guthrie Theater in Minneapolis said: “One of the things that makes Houghton so special is his belief in mission and the strength of his mission. He’s never deviated from it, no matter what problems are thrown at him.” Over the last two decades, this approach has garnered glowing attention from critics and influencers. The playwrights produced by Signature, including Edward Albee, Horton Foote, August Wilson, were a veritable Who’s Who of the greatest living American dramatists (**Exhibit 2**). Moreover, many of the plays received awards and in 2003, Signature received the “Outstanding Theatre Award” from the National Theatre Conference.

However, Signature Theatre’s distinctive mission of focusing on one playwright each season also posed challenges. Most nonprofit theaters relied on a steady base of season ticketholders who

⁵ The Actors’ Equity Association was founded in 1913 and is the labor union that represented actors and stage managers in the United States. Equity negotiated wages and working conditions for its members and provided benefits. Equity negotiated various national and regional contracts with theaters.

⁶ <<http://www.csmonitor.com/The-Culture/Music/2012/0125/Theater-for-the-99>>.

⁷ <<http://www.csmonitor.com/The-Culture/Music/2012/0125/Theater-for-the-99>>.

expected a variety of offerings (e.g., a comedy, a musical, a drama, a holiday show) every year. These subscribers reliably renewed their season tickets and provided the theater predictable annual revenue. But although Signature offered subscriptions, every season when a new playwright was announced, Signature effectively started from scratch to build interest from an audience.

In part, this was due to the diverse set of writers Houghton selected—he selected familiar ones (Albee, Foote, Wilson) and lesser known ones (Marie Irene Fornes, Chuck Mee), as well as forgotten ones (Adrienne Kennedy). Some choices challenged the boundaries of conventional theater, such as the clown Bill Irwin. The choice of a season dedicated to the work of the writers who constituted the Negro Ensemble Company even challenged Signature’s own focus on a single playwright. Signature offered a “boutique experience” in the large and diverse New York City theater market.

The Signature Ticket Initiative

For years, Houghton had been wrestling with a key question: How can Signature grow while maintaining its artistic integrity? Signature’s mission posed a unique challenge attracting regular audiences, but all theaters were competing to fill empty seats. The National Endowment for the Arts reported that 8.3 percent of American adults attended a non-musical play in 2012, 12 percent fewer than in 2008 and a 33 percent decline over the past decade.⁸ Given that in 2012 Broadway tickets often sold for more than \$100 per seat and the average income of theatergoers was \$244,000, “We’re pricing ourselves out of our next generation,” said Norton.⁹

This decline in attendance, combined with the flexibility and immediacy of the digital age, created a rash of online ticket discounters (**Exhibit 3**). Theaters, realizing they had a perishable asset, had become willing to low-ball the price of tickets to get “butts in seats”. Houghton was frustrated that theater was being under-valued but he recognized that the problem could also be the solution—both for Signature’s financial bottom line and its social mission.

In 2002, the National Theatre in London launched a ticket program, making some tickets at most performances available for just 10 GBP (around \$16 dollars in today’s dollars). Houghton thought this was a great idea, but it did not go far enough. What if a theater made all tickets for every performance more affordable? If tickets were being sold at a steep discount at the last minute anyway, why not make it into something positive, and allow folks unable to pay top dollar to plan ahead for a night out at the theater? By ending the fire sale on tickets and replacing it with a planned reduced-price ticket program, theaters might be in the same place economically but could do something constructive for their community. However, conversations with Alliance of Resident Theaters-New York (a service organization working with New York’s nonprofit theaters) about organizing a group of New York theaters behind this scheme went nowhere.

But Signature didn’t forget about the idea. As the company planned for the 2005-2006 season dedicated to the work of Pulitzer Prize-winning African American playwright August Wilson, it was more important than ever who was in the audience. Wilson’s work had been produced in New York before, but mostly on Broadway, at premium prices. Kate Lipuma, the Executive Director at the time realized a reduced-price ticket scheme might fit Time Warner’s philanthropic focus on democratization of the arts.

⁸ How a Nation Engages with Art: Highlights from the 2012 Survey of Public Participation in the Arts - <http://arts.gov/sites/default/files/highlights-from-2012-SPPA.pdf>.

⁹ <[http://www.csmonitor.com/The-Culture/Music/2012/0125/Theater-for-the-99/\(page\)/2](http://www.csmonitor.com/The-Culture/Music/2012/0125/Theater-for-the-99/(page)/2)>.

Signature Theatre set the value on a ticket to its performances at \$75 and Time Warner, followed by other funders, underwrote the difference between the ticket's true value and the price the company thought would be accessible to a new, younger, diverse audience of theatergoers (originally \$15 and \$25 in 2014). Not just for a few tickets a night, *but for all the tickets for the whole season*. Dan Osheyack, Vice President for Philanthropic Initiatives at Time Warner recalled: "It represented risk, but it represented great reward if it worked." He added: "Signature creates opportunities for funders to be excited about their grants. Houghton and his team had a keen interest in understanding Time Warner's goals and worked with Time Warner to develop ideas together."

Osheyack, recollected: "The idea for the Signature Ticket Initiative was so refreshing and so in-line with what we wanted to do as an art funder that we agreed within three days to support it, which is unusual for us, as a corporation, to move so quickly." Given that the initial contact between Signature and Time Warner was a cold call, it was a spectacular result.

Signature engaged Time Warner in solving the trickiest part of the Ticket Initiative: ensuring tickets weren't just reaching the same audiences at a lower price. Reducing ticket prices alone wouldn't bring in new audiences. Signature developed a grassroots marketing effort—for example, through communities and church groups—in order to reach new theatergoers. Outreaching to diverse customer segments was an area where the Time Warner Corporation had expertise, and they helped.

Over the past seven seasons, because of the Ticket Initiative, 37 percent of Signature's audiences were new, 83 percent of participants said the Ticket Initiative influenced their decision to attend, more than one-third of participants were people of color; and more than 20 percent came from households with income of less than \$50,000. Osheyack described Time Warner's support of the Ticket Initiative as, "one of the grants we are most proud of," especially when they could point to "three generations of family all coming to live theater for the first time."

Ford Foundation President Darren Walker said: "Excellent theater should be accessible. This is clearly a social justice issue." Other donors appreciated the civic role Signature was playing by bringing together a cross-section of New Yorkers. For example, The Pershing Square Foundation founder Bill Ackman became a first-time supporter of the theater with a grant of \$20 million to support the Ticket Initiative in the new Signature Center without ever having attended a Signature production. "I've never been interested in donating to cultural institutions where I'm subsidizing rich people," said Ackman. "That doesn't make much sense to me. Theater has not been my top priority, but what I love about this is that someone can go and have a great cultural experience for \$25."¹⁰

The effect on Signature's budget was positive. Signature had a predictable earned revenue stream, selling tickets at 80 percent capacity and with the Pershing Square Foundation donation, half the subsidy portion of the ticket pricing scheme was secure for the next 20 years. Paul Bernstein, CEO of The Pershing Square Foundation said: "Signature's next challenge is to convince those theatergoers who can afford more than \$25 for a ticket to contribute the difference (between what they are being charged and what the ticket is worth) to subsidize the Ticket Initiative. This will keep it going for the next generation."

The Ticket Initiative also revealed a fundamental value wrapped up in the company's mission to support a writer's voice: service. Norton said: "There is a spirit of service that underlies it all. Fighting for the writer. Making theater available to everyone. The Ticket Initiative is not about advancing Houghton's career."

¹⁰ New York Times, January 26, 2012, http://artsbeat.blogs.nytimes.com/2012/01/26/with-25-million-gift-signature-theater-has-a-new-name/?_r=0.

The Next Generation of Writers

As early as Season 8 (1998-1999), Houghton had started talking about expanding Signature programming beyond a retrospective of one writer each year. He realized there was a need to grow and diversify the community of American playwrights, just as there was a need to grow and diversify theater audiences.

The original mission of celebrating the writer would continue, but it would be implemented in three different ways. As always, Signature would devote an entire season to the work of a single living playwright through its *Residency One*. In addition, Signature would start two new programs: the *Legacy Program* to present new work and “signature” plays of past playwrights-in-residence; and *Residency Five*, an entirely unique program in the United States to give playwrights a \$50,000 stipend, health insurance, an artistic home for experimentation, and productions of three new plays over a five-year period.

By staging nine plays per season, Signature could serve various audience segments all at once: the *Shoppers* who read a good review and based on that bought tickets, the *Adventurers* who were eager to be exposed to new work and new writers, and the *Steady Eddies* who enjoyed seeing a familiar play, writer, or actor. A wider array of offerings would help grow and retain a larger audience.

Norton recounted that Signature did not move from its first 99-seat venue to a three theater Signature Center complex overnight: “As the company grew, Signature reached for the next level—and got there. There were a lot of interim successes. Each step was a data point that demonstrated the company’s original mission and remained relevant as the company grew.” It took 12 years to achieve the vision of expanding to a three-pronged program, but Signature was finally there.

“Build the Building”

The Signature Center

Being selected for the World Trade Center Performing Arts Center in 2004 was a key moment in the theater’s history. Signature’s very application was audacious: it was selected from 130 applications submitted from all over the world to be an anchor tenant in the new facility at the site of one of Manhattan’s greatest tragedies. Signature (which partnered with modern dance presenter The Joyce Theater in its final proposal) beat out much larger organizations like the New York City Opera, the New York Hall of Science, and the 92nd Street Y.

Signature’s Executive Director at the time, Lipuma, said: “It was a game changer. We were in the room with the mayor and the governor.” With funding and technical assistance from New York City and New York State, Signature was able to deepen and expand the plan articulated in its original application. Independently, Signature could never have put together such a top-tier complement of experts, or dedicated the significant time needed to envision its future to that level of detail.

This was also a crucial moment in the evolution of Signature’s mission. In articulating why a performing arts space belonged at Ground Zero, Houghton homed in on the power of Signature’s original purpose to honor the writer: writers give voice to the potential and passion in all individuals. To allow America’s greatest dramatists to honor the potential of the lives lost on 9/11 seemed like a fitting living memorial. This focus on the value of individuals and building community became the guiding principal in the physical design of Signature’s next home. Houghton said: “The focus on individuals and community was embedded in the original choice, and revealed itself over time.”

As Signature’s proposal described it: “As part of a redeveloped World Trade Center Site dedicated to celebrating life and honoring each of those lost, Signature Theatre Company envisions a performing arts facility that is dedicated to celebrating life through an exploration of the individual artist...producing work that expresses our humanity and reflects the diverse culture of this world capital.”

However, after three years of planning, Signature was “de-designated” from the WTC site. The expense related to structuring and sound-proofing multiple theater spaces to accommodate all the tenants at the transit point for subway and train lines became impractical at a budget of \$1 billion.¹¹ But the exit was managed gracefully, and the relationships Houghton had developed were solid. Frank Gehry remained Signature’s architect, and New York City’s Department of Cultural Affairs (DCA) took Signature real estate hunting, reviewing two other sites before concluding that 42nd Street and 11th Avenue was right. The new Signature Center would be located on the first two floors of real estate company, Related Companies’ new \$800 million 59-story luxury hotel/residential building, MIMA (“Middle of Manhattan”).

Due to the proximity to the Times Square theater district, city zoning regulations required the developer on that site to include a theater performance space in the building in order to qualify for an 18 percent zoning bonus (15 additional floors). While Related saw the presence of a legitimate theater in their luxury building as a real asset, they did not have much experience working with nonprofit cultural organizations. New York City provided \$28 million in project financing, and the DCA vouched for Signature’s capacity as a successful partner, assisting the company through the design and building process.

The City’s vested interest in the success of the project was crucial, but at times it seemed like an impossible dream. Signature’s small Board, limited reach to donors, and the economic recession that was starting to pinch in the Fall of 2008, made the \$70 million total budget feel out of reach. Molly O’Neil Frank, Signature Board President during that time remembered the tough conversations with the capital campaign consultants: “How’s this going to happen? Where’s the money coming from? Where are the deep pockets? The numbers were so huge and the challenges were so huge. But there is a little bit of magic when you want something to happen very badly. You find a way to make it happen.”

Not all the Board members were equally positive. Some were concerned that the company was not being realistic, and asserted the only responsible thing to do was to withdraw from the building and pay contractual penalties. Taking the posture of good fiduciaries, they became highly critical of the project. Eventually, these naysayers left the Board.

The funding from New York City allowed Signature to proceed with the planning and start construction before the fundraising campaign launched in earnest. This made for a much more compelling appeal to donors who could visit a model room at the construction site, view the plans, but also see that the building was really being built. The continued participation of world-class architect Frank Gehry—who surprised all involved by agreeing to design the interior of another architect’s structure—also affirmed the potential of the project to succeed. A true example of a public/private partnership, the Signature Center received \$40 million of philanthropic support (including major gifts from Bloomberg Philanthropies, The Ford Foundation, and The Pershing Square Foundation) in addition to \$28 million and an initial vote of confidence from New York City.

¹¹ As of early 2014, ground has not yet broken on the Performing Arts Center, the architectural plans had been revised, the construction budget was estimated at \$300-\$700 million, and the building was projected to open in 2019.

With help from Related, Signature negotiated a \$10 million construction loan on favorable terms, and through Goldman Sachs, participated in a New Market Tax Credit which provided \$1.2 million in capital to the project. In addition to funding construction, \$7 million of the money raised was earmarked to support annual operating budgets over a five-year transition into the new building, \$5 million went into a reserve fund, and \$2 million paid for fundraising and marketing (**Exhibit 4**).

Due to the recession, Related slowed down their timetable to shore-up their financing; when construction started again, Signature had to keep up. The experience modeling for three potential sites previously meant Signature had developed a plan for their program, understood how the program would inhabit the space, and had thought through every alternative solution to the square foot. They were clear about what was nice, and what was necessary. In the end, it took less than 16 months to simultaneously design, finance, fundraise, and build the Signature Center.

Despite these accomplishments, a new set of challenges loomed. For these first few years in the new Signature Center, the company was still growing into its new \$12 million annual operating budget (**Exhibit 5**). While it could tap into transition funds raised as part of the building fundraising campaign, by 2017, those funds would be gone. Oskar Eustis, Artistic Director of The Public Theater in New York, observed that the new Signature Center would certainly test Houghton's fiscal management ability: "He hasn't had to do the ball-juggling and crazy financing that a multi-theater facility demands." Dowling commented: "Houghton is aware that he'll have big fundraising issues.... How do you stay true to your mission when what you're trying to do is to keep the doors open and everyone employed?"

One issue which was anticipated: Signature's beautiful new multiplex had attracted a steady stream of rentals from commercial and nonprofit theater producers generating a revenue stream that was key to the success of the company's business model. While this was positive for the company's bottom line, it created a risk of diluting Signature's brand because once the audience walked through the front door, they might not be clear whether they were seeing a Signature production or something else.

As a result, Signature developed standards for curating the rentals, and organized a separate box office to differentiate at the point of sale. The space was part of Signature's brand, a valuable asset which needed to be protected, especially as the World Trade Center site and three other major performing arts centers were slated to open in New York City over the next five years.

"Build the Institution"

The Board

The Signature Theatre Board of Directors included 15 members, with an average tenure of seven years on the Board. These Board members had contributed \$6.3 million to the Signature Center's capital campaign. Signature's growth rate had been extraordinary, and throughout its history the Board of Directors had always been active and supportive (**Exhibit 6**).

But Houghton pointed to one of the challenges for this fast-growing organization: "The Board you have today is always the Board you needed five years ago." In Houghton's estimation, what the theater should have was an active Board of 30 to 35 members to sustain itself and fulfill its potential in its new home. Norton observed: "When organizations grow fast, the Board is always behind. Board development does not feel core to mission. Founders move fast and get stuff done."

As one of 12 nonprofit theaters in New York City with budgets of \$5 million and above,¹² Signature was effectively competing with other theaters and hundreds of other nonprofit organizations for strong Board members. For potential Board members looking for connections and prestige, Signature could hardly compete with the Lincoln Center which had 76 Board members, a budget of \$154 million, a 58-year history and global recognition as a cultural leader; or the 141-year-old Metropolitan Museum of Art, with 98 trustees and a budget of \$419 million which was considered one of the top five museums in the world.¹³

O’Neil Frank said: “People are attracted to the Signature Board by the chance to build something.” New Board members from fields which understood building an organization (like venture capital) or Board members who themselves had built something from nothing and understood the entrepreneurial mindset might find this attractive. Not only would such people appreciate the value of building something, they would have relevant expertise which could help Signature to scale.

One responsibility of a nonprofit Board is succession planning for the senior leadership team. At the time of this case study, such conversations had not happened, and for many people when they thought of Signature, they thought of Houghton. Osheyack at Time Warner said: “It’s hard to separate Signature from Houghton.” Lipuma commented: “It’s different when Houghton walks in the room; everyone wants to talk to *him*.”

To demonstrate to staff and the Board that the theater was “theirs”—and give others a chance to develop—Houghton started planning in 2001 for a sabbatical during the 2004-2005 season. He selected a guest artistic director and collaborated with her on the selection of the plays, directors, and designers for the season. The Board was not keen on the sabbatical idea, but Houghton forged ahead.

As it turned out, just as Houghton’s sabbatical was scheduled to start, Signature’s proposal for the World Trade Center site was accepted. This forced Houghton to be in the office regularly, leading the planning and design process. On top of that, the season was plagued with tensions among the artists, bad reviews, and other problems requiring Houghton’s involvement. Although the sabbatical did not work out as planned, the issue of succession was put front-and-center by Signature’s founder.

The Culture

From 1998-2007, Lipuma was part of the Signature leadership team first as Director of Development and later as Executive Director. “When I met Houghton, I felt I had known him for years. He really cares about the people involved. He established a culture at Signature where everybody has a voice. Everyone’s opinion is welcome. That doesn’t mean you’re right or we’re going to do it your way. But your opinion is welcome. You are at the table.”

Oscar-nominated actress and daughter of Signature’s founding playwright, Laura Linney said: “What’s remarkable about Houghton is how he has been able to accomplish so much while doing it in the most easeful way. He has an easy personality. He doesn’t flex his muscles, bully, or manipulate. He’s stealth. Everything is wrapped in a blanket of kindness. People who are that nice are not usually effective on the level that Houghton is effective.” Another interviewee added: “The New York City scene is known for producers with big personalities, like the late Joe Papp [producer and director]. A lot of people can be jerks. Houghton is modest, calm, and steady. Simply put—he’s not a jerk. He

¹² Source: Guidestar.

¹³ Global Attractions Attendance Report - 2012 Museum Index.http://www.aecom.com/deployedfiles/Internet/Capabilities/Economics/_documents/2012%20Theme%20Index%20Combined_1-3_online.pdf.

comes through for people on a human level. He's not transaction-oriented. Even though he is super busy, when you're with him, he has all the time in the world for you."

An unemployed actor working as a waiter, Houghton wasn't the most likely entrepreneur when he started Signature in 1991. That may be the reason he "hires people, not résumés," said Lipuma. "Houghton could always see that there was something there; that the person was worth it. It was worth it to take a chance. Those are the people who stay the longest." Houghton describes it as looking for people who share core values, who have a community outside work, and can "bring their culture to the company."

Before Signature Theatre, Houghton was a company member with two other theaters in the 1980's: the Collective Theater and the Project Three Ensemble. From these experiences, Houghton made a conscious decision: he was the founder and artistic director and it was his responsibility to make key decisions. Houghton explained: "I made a commitment to be a rigorous collaborator, working with directors, designers, actors, stage managers, administrators, and the Board. But I wasn't going to sit in three hour-long meetings talking about what the stationary should look like. The final decision was my responsibility."

Lipuma described the team process: "Houghton sets the scope, and the team innovates within that. He sets a clear mission and values. This empowers others to make their contribution towards the goal. It's a dialogue about the best way to get there. Explore unlikely options, question the status quo, but stay focused on the mission." She added: "Houghton is a real visionary and once he has an idea, others rally around with questions, he says, 'Ask me the hard ones, kick the tires.'"

This was the type of environment that Houghton did well in himself. In high school and college, he had a Jesuit education that placed a high value on community, and the role of the individual within the community. The individual was encouraged to ask questions, and different learning styles and tempos were embraced. Houghton said: "It is very powerful if someone is willing to sit, listen, and show curiosity about what you have to say. People thrive if they have a role to play in a sympathetic environment."

Houghton made a special effort to stay connected to artists, staff, and Board members, even when it impacted the bottom line. For years, the theater had hosted "alumni nights" for each of its productions, welcoming back those who had helped build the theater's reputation in the early days and making complimentary tickets available so they could see the new show and stay involved in Signature's success.

The Team

Erika Mallin, Signature's Executive Director who had joined Signature in 2007, brought experience from other Off Broadway theaters, as well as experience as a New York City mayoral aide for seven years after an early career as a journalist (**Exhibit 7**). Like other staff, Mallin described her job interview with Houghton as being less about her résumé and more about her worldview: "We had a good conversation about our lives, our families. We shared a belief system. My mother was a playwright. My father was a public interest lawyer. I felt strongly about the Ticket Initiative as a civic duty."

According to the organization chart, Mallin oversaw Signature's finances, marketing, production and fundraising—and reported directly to the Board. But Houghton also had a role in these decisions. "When you are dealing with a founder, it's really different. Houghton took an idea from nothing. He has a lot of control. He is still learning how to engage people as thought partners. You have to earn his trust."

During the building of the Signature Center, Mallin was the day-to-day project manager, driving the details and coordinating the partners. Once the building was open, she wanted to shift her focus from the trees to the forest: “I need to be more of a leader on strategic planning and Board development. I have to transition from ‘managing’ to ‘thinking.’” And there were signs that some things were starting to change: recently when an actor in a solo show was sick and it looked like performances might need to be cancelled, Mallin said: “Houghton and I were on the first couple of emails, and then other people stepped up and took control. Decisions got made, the problem got addressed, and we didn’t have to handle it. That’s a big step.”

The longest-tenured staffer at Signature was Beth Whitaker, the Associate Artistic Director who started as part-time Literary Manager in 1999. Over the past 15 years, she has seen the company grow: “At the time I started, Houghton was everything. Literally. There were seven or eight other full-time staff, but he managed every detail at the company and never had anyone partnering with him on artistic decisions. He was hungry for partnership and it was exciting for me to help him figure out what it was going to mean to have an artistic partner and confidante.”

At the time of the case, Houghton split his time between his office at Signature and his office at the Juilliard School where he was Director of the Drama Division. While Board members and external partners observed: “We don’t know how Houghton does it!”, some Signature staff were frustrated when Houghton was not on site. Houghton hoped his presence at Juilliard—plus Signature’s recent growth—created the opportunity for more decisions to be delegated among staff.

Whitaker, for example, acted as artistic proxy in Houghton’s absence. The fact that she was trusted to make decisions reflected her intimate connection to the company’s mission. Whitaker confirmed: “Others may be less empowered if they are less tied into the vision (**Exhibit 8**).”

A Social Entrepreneur at Scale

From the earliest days of Signature, Houghton has held other leadership roles in addition to his responsibilities as Artistic Director. As at Signature, Houghton has focused on serving stakeholders—playwrights, other artists, students, staff—at all these organizations. First was The New Harmony Project (1997-1999), a developmental playwrights workshop. From 1998-2012, Houghton worked with the artistic director of the Guthrie Theatre as an outside advisor.

From 1999-2003, Houghton was artistic director for The O’Neill Playwrights Conference. He worked to open the conference to more, new participants and to re-focus on serving the writer. Eight hundred artists from across the country engaged in new residencies and projects during Houghton’s four-year tenure. The O’Neill experience was not without controversy: Houghton ended a 35-year open applications process which was no longer financially feasible or successful at its goal of surfacing new playwrighting talent. There was a public outcry among the leading playwrights in the U.S., and for weeks Houghton was on the hot seat. Just as things were cooling down, Houghton resigned abruptly after the parent organization announced a restructuring without sufficient prior consultation, stating that “trust with the Board was broken.”¹⁴

In 2006, Houghton became the head of the drama division at Juilliard. Over the past eight years, he has grown applications by 30 percent, revised the curriculum, and launched an MFA program. He created a minor revolution by eliminating the “cut system” whereby acting students were eliminated from the program annually based on merit. This culling created great anxiety among the students,

¹⁴ Backstage, November 6, 2003 <http://www.backstage.com/news/houghton-resigns-oneill/>.

stopped them from taking risks, and prevented faculty from giving honest feedback. Instead, under Houghton, students and faculty made a mutual commitment to one another for all four years of the program. This enabled a much more rigorous engagement where students stretched and faculty engaged in productive critique. As a result, the school was seeing more activity than ever.

Juilliard alumna and trustee, actress Laura Linney, said: “By eliminating the cut system at Juilliard, Houghton lifted a pressure that students have to develop at a certain rate. People develop differently. Artists develop differently. One action changed a lot at the school. It warmed it up. It has drastically changed the relationship students can have with faculty. They have made a commitment to each other. It creates an intimacy.”

Houghton’s dual roles at Juilliard and Signature enabled a collaboration which gave Juilliard students experience in a professional setting, and created a talent pipeline for Signature. More importantly, being part of a large institution over 100-years-old allowed Houghton to learn from a mature organization, borrowing techniques that benefitted Signature’s growth and long-term planning.

Whitaker said: “Houghton’s outside responsibilities actually help Signature. He applies the same basic principles in a different context. Running one organization for a long time can get stale. This feeds and refreshes.” O’Neil Frank saw these multiple roles a bit differently: “The Board felt like it had no choice as to whether Houghton should hold multiple jobs. When it came time to take the Juilliard job, Houghton presented the reasons why it would be good for Signature, and the Board discussed whether he should be allowed to take the job. It has worked out because at the end of the day, Houghton is totally committed to Signature.”

Houghton’s ability to move among various organizations within the American theater represented his philosophy: “We don’t do plays, we do relationships.” He believed that the strength and success of the field and success of Signature Theatre were wholly intertwined. Eustis who had worked with Houghton, described the experience as an easy and productive collaboration. He praised Houghton as: “...one of the good guys. He’s a straight shooter. I’ve never known him to lie to me or anybody. I’ve never known him to make a choice that was based on his desire for self-aggrandizement....”

The Future

As Houghton sat down with Norton, he thought of the long and rich history of Signature Theatre. Over 23 years, he had come to recognize the importance of “context”—seeing a playwright’s body of work created a context for each individual play; establishing a mission created a cultural context for organizational decisions; connecting the architecture to the art placed the physical space in the context of its purpose; and the open lobby of the Signature Center created context for what Houghton termed “orchestrated collisions” among the actors, artists, audience and staff who were part of Signature.

Houghton smiled at the thought of the gala opening of the Center two years prior that brought together alumni artists, former and current staff and Board members, donors, politicians, and even directors and producers from other theaters (whom some might see as competitors, but whom Houghton regarded as potential partners). He and Norton shared a common bond and vision that began with theater and its role in the human experience: “We don’t go to the theater just to be entertained,” Norton said. “We go looking for meaning, insights in how to understand our lives and our society and our place in the world, to get outside the echo chamber of our own narrow experience and be expanded.”¹⁵

¹⁵ <[http://www.csmonitor.com/The-Culture/Music/2012/0125/Theater-for-the-99/\(page\)/3](http://www.csmonitor.com/The-Culture/Music/2012/0125/Theater-for-the-99/(page)/3)>.

As Houghton looked forward, he was excited about his future as an artist and a social entrepreneur. Norton wished Houghton would direct more plays: “It is rare to have someone who has built a major institution who is also able to think in an artistic frame of mind.” Osheyack of Time Warner reflected: “You see founders’ syndrome which ends up being dreadful for an organization. Houghton founded Signature, has grown it and grown with it. That is unusual.”

Ford Foundation President Walker, said: “There is clearly something disruptive about Houghton. He is never comfortable being comfortable.” As Houghton reflected on the past, he said: “I’ve never had a detailed game plan of what I wanted to achieve personally.” Norton added: “A well-defined, enduring mission is the greatest asset to succession planning.”

Although the future for both Signature Theatre and Houghton were unknown, Houghton hoped to continue work that reflected his evolving philosophy that context matters. By situating individuals and artistic work in an intentional environment, it is possible to shape their experience, illuminate connections, and force confrontation of the larger questions facing communities today. Houghton wanted to pass on this awareness of how context matters and articulated this goal in relation to his work at Juilliard: “...I want them [students] to be graduates of the most extraordinary and disciplined drama program in the country. But I also want them to be truly literate and informed and generous artists—and generous citizens, part of their community, whatever that may be, and responsible to it.”¹⁶

¹⁶ <http://www.nytimes.com/2007/05/06/theater/06mcge.html?_r=0>.

Case Discussion Questions

1. What do you think Houghton's vision is?
2. Describe Houghton's key successes over his 23-year history with Signature Theatre. Do you think he is a social entrepreneur? If so, how?
3. Why do you think Signature Theatre has been so successful?
4. What do you think Signature Theatre's greatest challenges have been? And how has he overcome them?
5. Describe Houghton's leadership style. Do you think his style is effective? If so, how? If not, why not?
6. How should the Board think about succession issues? What are the key issues related to succession?
7. What should Houghton do in the future? Why? How?